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A Look at Worker Rights in Eastern Europe

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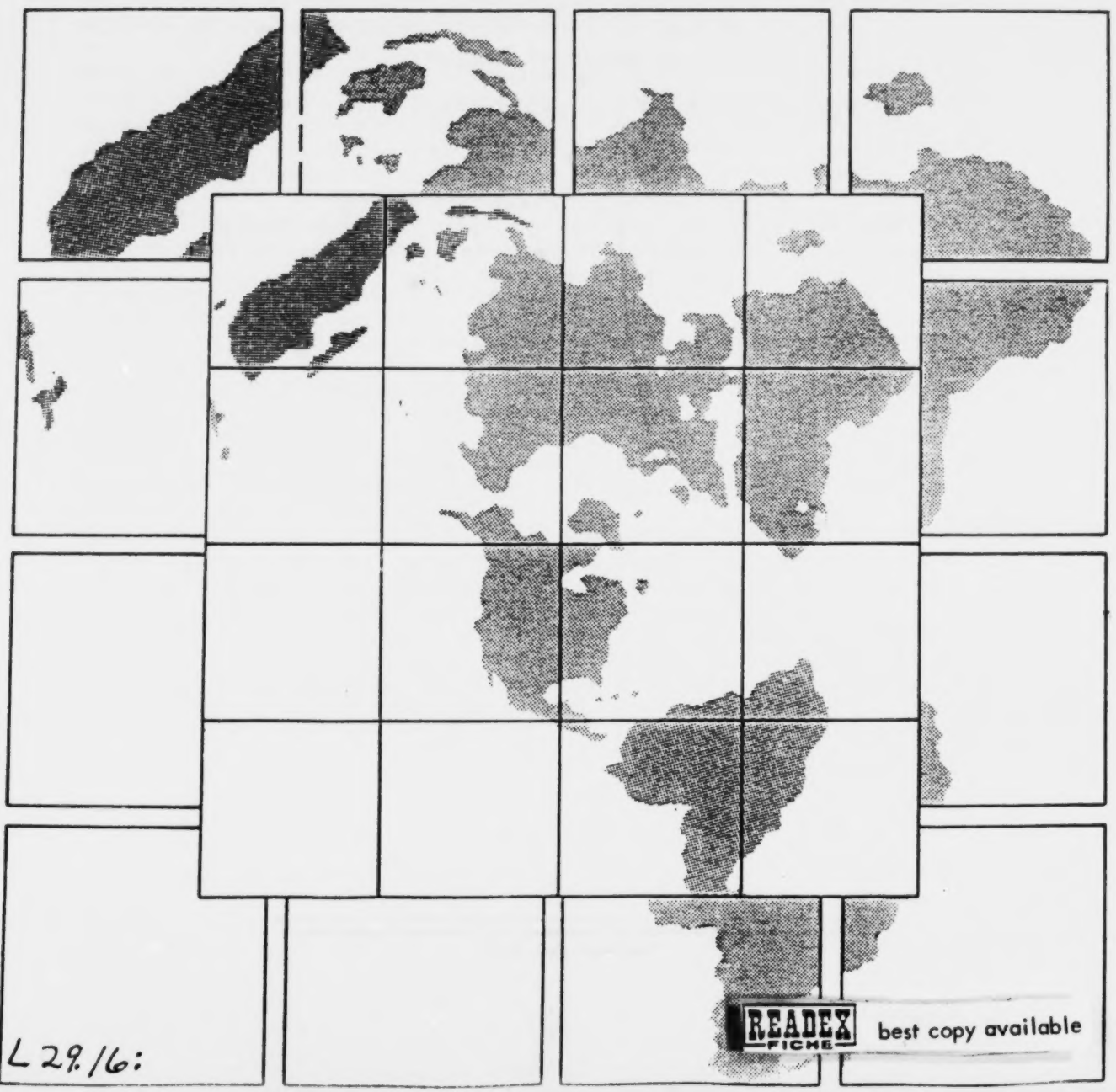

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A LOOK AT WORKER RIGHTS IN EASTERN EUROPE

"The Winds of Change"

Can Economic Reform Succeed Without Labor Reform?

A Synopsis and Commentary on the
May 15-17, 1988, Seminar on East European Labor
Sponsored by the Bureau of International Labor Affairs
U.S. Department of Labor

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PREFACE

In May 1988 the Office of Foreign Relations, Bureau of International Labor Affairs, U.S. Department of Labor, sponsored a seminar to stimulate an examination of whether and in what manner the new developments in Eastern Europe affect the labor markets and the labor organizations in these countries. This special issue of Foreign Labor Trends is based on the papers and discussions resulting from this seminar.

Attempting to write an introduction to this issue is somewhat like trying to take a photograph from a speeding train. Events appear to be moving so fast that images blur before they can be fixed in the mind. Although the seminar took place but a year ago, the changes that have taken place since then in Eastern Europe have been remarkable. It is fair to say that few participants at the meetings, if any, anticipated the velocity of "the winds of change" of the past 12 months.

Who, for instance, could have predicted that the AFL-CIO would send a delegation to the congress of an independent trade union in Budapest in December 1988; that the Hungarian communist party would declare in May 1989 that the trial and execution of premier Imre Nagy for his role in Hungary's 1956 national uprising were illegal; or that Lech Walesa would be attending the May 1989 executive board meeting of the ICFTU in Brussels as the representative of a legalized Solidarity?

In one sense, however, the May 1988 seminar did forecast an important trend. In response to one of the seminar's themes--"can economic reform succeed without labor reform?" --participants generally agreed that labor reform was essential to successful economic and political reform. Significantly, General Jaruzelski tried to impose economic reform in Poland without labor reform. His failure in this effort ultimately forced him to agree to the round-table talks leading to the legalization of Solidarity.

An interesting question revolves around the outcome of all these events, quite literally, where will they end? Are we currently (June 1989) seeing the high water mark of reform? How far will the tide recede in face of the inevitable backlash? While it would be foolhardy to predict the state of affairs in Eastern Europe a year from now, spring 1990, it is clear that the sorcerer's apprentice has taken over and is unlikely to go back into his corner.

FOREIGN LABOR TRENDS REPORT

A LOOK AT WORKER RIGHTS IN EASTERN EUROPE

1988-89

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INTRODUCTION

The East European project of the Bureau of International Labor Affairs, U.S. Department of Labor, was meant to begin an examination of new developments in labor markets and labor organizations of European communist party states. Since March 1985 when Gorbachev became General Secretary of the Communist Party of the Soviet Union (CPSU), proposals, debates, legislation and some institutional changes have emerged from the decades of stagnation in the USSR and its six Warsaw Pact allies. This wave of economic and political reform in parts of Eastern Europe and the USSR, even if pursued in a limited and cautious fashion, could significantly alter labor institutions and labor markets.

Since Lenin's early Bolshevik regime, autonomous labor unions have been inconsistent with Communist Party rule. The working class, not trade unions, was the source of proletarian revolution; and, once a proletarian dictatorship was created under the aegis of a Communist party, it followed that trade unions would aid the new monopoly employer (the state) to implement the economic plan and to maintain work force discipline. Harsh treatment has always been the fate of deviations such as Solidarnosc in Poland, SMOT in the USSR, SLMR in Romania, etc.

Particularly in 1986-88, however, there have been indications that longstanding policies toward labor may be changing significantly in some of communist Europe. Although these indications are episodic and impressionistic, the possibility now exists that labor-party relations may be undergoing transformations which will expand the role of the present "official" labor organizations and/or allow room at the margins for alternative representation of labor. If "perestroika" and related efforts to decentralize the cumbersome machinery of state socialism continue, then unions in Eastern Europe and the USSR may have to redefine their relationships with management in new quasi-private enterprises, or with increasingly decentralized ("self-financing") management at the plant level. Bargaining over wages and conditions of work could develop as new roles for erstwhile official trade unions.

Further, labor markets may experience rapid transformations in coming years. Already, some of the regimes of communist Europe have begun to jettison their rhetorical commitment to full employment, and have inaugurated programs to deal with unemployment. As reform proposals introduce competitiveness, incentives, and merit into the labor market, job security and labor mobility will be issues of increasing importance as skilled workers begin to seek to sell their capabilities for more money and benefits elsewhere.

The U.S. Department of Labor recognized these trends and impending developments. They assembled experts from the U.S. Departments of State, Labor, and Commerce, as well as other Federal Government analysts, scholars of labor and economics in Eastern Europe and the USSR, officials from business

associations and organized labor, and European-based analysts. These experts and analysts were able to discuss in depth the issues introduced above. Particular importance was attached by the Labor Department to prospects for labor organizations and labor markets in Eastern Europe in the next decade.

Sessions of the seminar, held in Annapolis, Maryland, were planned to reflect those principal concerns with panels on "Demographic Impacts on Labor Markets", "Worker Aspirations and Attitudes", "The Effects of Economic Restructuring on Labor Markets and Labor Relations", "Changes in the Function and Role of Labor Organizations", "Government Reactions to, and Policies Toward Labor", and "Wage Structures and Wage Differentials". An initial presentation by Dr. Anders Asland, Visiting Fellow at the Kennan Institute, discussed the political environment in the USSR and prospects for continuation of reform. Stephen Pursey, of the ICFTU in Brussels, also made an individual presentation during the second day of the seminar concerning "Western European Views of Eastern European Reform". A concluding session attempted to draw upon the expertise of participants to foresee the condition of East European labor 10 years from now.

EXECUTIVE SUMMARY OF SEMINAR DISCUSSIONS

Daniel N. Nelson, University of Kentucky

Perestroika, glasnost, demokratizatsia, and other reformist notions emanating from the USSR of Gorbachev, while by no means the first talk of systemic change in communist Europe, have created an environment of uncertainty about the future of labor markets and labor organizations. The Bureau of International Labor Affairs, U.S. Department of Labor, in May 1988, convened a seminar to explore the effects of East European and Soviet reforms, or lack thereof, on the region's work force. Several dozen participants, drawn from government, business, labor, and academe, focused discussion on a number of major themes.

Demographic trends, including low birth rates, migration, emigration, and other factors were found to help rationalize the need for reform, even though restructuring could exacerbate some of these troublesome issues. If reform brings more unemployment, for example, it would force more people into a labor market unprepared for such a condition. Demographic trends do not, however, alter the political limits on labor markets in communist Europe. A real labor market will be absent until private ownership is accepted and an autonomous voice for labor is allowed.

Participants agreed that workers' aspirations and attitudes were characterized by widespread discontent that can, given certain conditions, promote activism. Workers are motivated to take action against the authorities by a complex set of variables including, but not confined to, material issues. Many country to country variations were identified, with Poland, Hungary, and Yugoslavia being discussed at some length. The suspicion and concern evinced by workers about the direction and pace of restructuring may, in cases where labor exhibits unity and has support from intellectuals and/or religious organizations, also contribute to unrest.

When the seminar turned to consider the "Effects of Economic Restructuring on Labor Markets and Labor Relations", discussion centered on the absence of true labor relations because the official trade union structure has no latitude to negotiate with the authorities. These official institutions play no role in generating reforms, and almost none in their implementation. The gap between labor and the ruling elites will become more volatile as a consequence of restructuring in which longstanding promises of job security would be sacrificed. The lack of jobs for displaced workers is part of an apparent failure of Gorbachev, to have a road map of reform before launching it. How to generate capital to create jobs, build housing, etc. seems to be a looming obstacle. East Europeans and the USSR face a massive economy-wide task of "managing change" without labor-management relations and without autonomous unions to take part in the movement for systemic change.

The seminar's consideration of "Changes in the Function and Role of Labor Organizations" concluded that trade unions

confront many dilemmas if they are to participate in any way in economic reforms. Aside from Poland where the official OPZZ structure has been pushed by Solidarity and workers themselves to adopt some diverse positions, there is very little public debate about labor unions' role elsewhere in communist Europe. Trade unions have not been "reformed" as part of restructuring because ruling elites do not want to promote changes that would transform the unions into a vehicle for political challenges. Although irrelevant to the genesis of reforms, participants agreed that official labor organizations will be affected by new needs and demands of labor spawned by these regimes' efforts to restructure their economies.

In European communist government's dealings with labor, seminar participants found that ideology still strongly influenced party elites' behavior. Trade unions continue to be treated as transmittal devices, not workers' advocates. While there is variation in the degree to which such a position is maintained (e.g., Romania under Ceausescu being an extreme example of rigidity, while the Slovenian republic in Yugoslavia, Poland, and Hungary exhibit much more flexibility), ideology continues to intervene to prevent unions from adopting an adversarial function on behalf of labor. Ruling communist parties insist that the societies they rule are "cooperative", not antagonistic, and that provisions for conflict between people who produce and management/government are neither worthwhile nor necessary. Ideology itself, however, is not entirely static. Pushed by the demand for economic reform, and some modest expansion of public debate in Eastern Europe, it is reasonable to expect that workers' efforts to press their interests will become more adversarial in their relations with the government.

Regarding "Wage Structures and Wage Differentials . . .", there was agreement that the inflexibility of remuneration for labor in traditional centrally-planned economies, where there is little formal authority for local managers to alter the allocation of resources, has harmed workers' performance and enterprise efficiency. Although a variety of informal mechanisms have evolved to give subsidies, allowances, or payments in kind, the advent of private and entrepreneurial income appears to be a necessary component of restructuring. Hungary, with Contract Work Associations (CWA), may have gone further than other East European countries, with such innovations. But an emerging conflict between the private and socialized sectors of the economy is implicit in such developments. There is, moreover, the clear danger of a political backlash because of income inequalities that become more prominent when reform opens the door to private and entrepreneurial incomes.

In a final session, participants offered views on their predictions of labor and reform in communist Europe within the coming decade. Most views underscored the difficulty of substantially altering the economic conditions or the environment for labor within the political constraints of communist rule. Further, the disadvantages of state socialism, such as low productivity and technological inferiority, have accumulated to such a point that 10 years will allow, at best,

gaps to close slightly. There was considerable pessimism among those attending the seminar, however, that labor or other strata of populations in Eastern Europe and the USSR will experience a socioeconomic and political environment greatly different by the late 1990s.

SYNOPSIS OF OPENING REMARKS AT THE SEMINAR*
by Daniel N. Nelson, University of Kentucky

This is a propitious time for us to meet. Once again, there has been a series of strikes in Poland, albeit without the overt mass support of 1980. At the same time, there are widespread strikes in Yugoslavia, earnest discussions in Hungary about unemployment that is sure to grow in coming years, simmering unrest in some Romanian industrial centers, and evident concern by Gorbachev that perestroika will run aground on the shoals of worker suspicion and disaffection.

These observations make the subtitle of our sessions all the more evocative--"The Winds of Change." Clearly, there are substantial, if not yet revolutionary, transformations under way in the role and place of labor, collective organizations of labor, and labor markets in communist Europe. We are here to try to understand these dynamics better--although no one thinks that we will answer questions so completely that we can predict precisely labor's future in communist states.

Nevertheless, the past 20 years have made it abundantly clear that the core determinant of communist systems' viability is not what happens at the upper reaches of the Party elite, but rather the degree to which the Party has mass legitimacy. Without some degree of willing obedience, communist systems do not work and can self-destruct.

Industrial labor is now the largest segment of "the masses" throughout communist Europe. It was not always so, but Stalinist extensive development has ensured that, at the end of the 20th century, all of the region derives most of its employment and output from industry and services.

More than ever, then, communist rule depends on the quiescent obedience, if not the allegiance, of labor. Yet, more than ever, ruling communist parties do not have that allegiance.

There was once a time when Kremlinology was the prevailing mode of analysis of communist systems. This meeting exemplifies how inappropriate that approach is today. Where scholars and analysts once thought that knowing who stood next to whom atop Lenin's Mausoleum in Red Square was our best guide to the political fortunes of the USSR and the Soviet "bloc", we now see that we can be misled greatly by such impressionistic observations. Where we once thought that the kind of Party

*Synopses drawn from notes on each session prepared by staff of the Bureau of International Labor Affairs, U.S. Department of Labor, augmented by notes recorded by Dr. Daniel N. Nelson. These summaries are meant to provide the general sense of discussions, rather than verbatim transcripts. Comments incorporated into these synopses are not identified with individual speakers or commentators since non-attribution was a condition for discussion announced by symposium organizers.

that Lenin established, and that Stalin forced on Eastern Europe, would determine its own fate, we now know that such a fate hinges on the cooperation of workers and peasants, i.e., of those who produce.

But, can ruling communist parties learn to accept the legitimacy of autonomous labor organizations--one of the keys to achieving cooperation of working people? Will these same ruling elites accept the principle of negotiation in good faith with labor?

In earlier post-World War II decades, we could have answered these questions simply and decisively. No labor unions, as we understand that term, would ever exist in a communist state, and industrial actions would never become a regular feature of labor relations. Our earlier certainty was understandable. We expected that Leninist regimes would be both incapable and unwilling to make changes that fundamentally alter their relationship with the masses.

There was something decidedly wrong with such expectations. As we have seen in most communist states, it is not the party elite that changes its ties with the people it rules. Rather, the masses--often industrial labor--act to force the hand of the Party. Such pressure from below need not be in the form of overt action (e.g., strikes); it can also be evidenced through labor turnover, absenteeism, low productivity, petty theft or simply deep-seated attitudinal disaffection leading to purposeful ignorance about one's job environment.

Perestroika (restructuring) and related reforms of state socialist economies, then, may not (when histories are written) be seen as products of the Party's newfound capability or willingness to change. Instead, we may be able to more clearly see economic reforms as measures indirectly forced upon rulers by those they rule.

Were reforms now on paper, e.g., the Soviet Union's Enterprise Law of 1987, Polish reforms from June 1987, or the next step of the Hungarian New Economic Mechanism actually carried out, then the monopoly of power exercised by communist parties would have been eroded. The nomenklatura and the principle of democratic centralism--concepts that are at the operative core of Leninist systems--will be disrupted if not destroyed.

Ruling elites in communist states would then have no choice but to see labor organizations break out of their Leninist role as a transmission belt, speaking to, not for, workers. While party cadres will not become, by and large, willing or capable to see the rise of an autonomous voice for labor, neither will they have the capacity to halt the movement of working people to reassert themselves.

SESSION A: "Demographics and Labor Markets"
Chaired by William Clatanoff, Bureau of International Labor Affairs, U.S. Department of Labor

For the USSR and Eastern Europe, acute problems of low birth rates and aging populations, sizeable internal migration and emigration, and rising mortality and morbidity are all intertwined with regime efforts to restructure their economies. Each of these demographic conditions represents both a reason for economic reform and an obstacle to the implementation of "perestroika" in the USSR or the six East European allies of the USSR. That is, we ought not attribute perestroika to the demographics of communist Europe. Rather, Soviet and East European advocates of reform are aware of problems implicit in demographic trends and use these data as irrefutable evidence to support policies for change.

Stagnant or decreasing populations in much of communist Europe, coupled with low labor mobility, has caused managers to hoard labor. Consequently, unemployment is concealed "within the factory gates", with people underworked or employed in fields other than those for which they were trained. The inefficiencies inherent in such practices are obvious. Yet, to deal with systemic underemployment, and to make the economies more productive, it would be necessary to lay off or to reassign many workers. This step would violate the social contract of socialism--that the state will provide employment for all citizens. Further, this element of economic reform has the practical impediment of forcing large numbers of underemployed workers into a labor market when both they and the market are unprepared, and when housing shortages would make it nearly impossible for workers to voluntarily relocate.

Like unemployment, emigration both argues for, and militates against, restructuring. Emigration has short-term benefits for both governments and workers. The relaxation of passport restrictions in several communist states, which has allowed many departures for the West, particularly West Germany, has been a temporary relief valve for political and economic protesters. This practice may, however, backfire as Western countries respond by limiting immigration. In the long run, as well, emigration has not helped communist Europe economically. As professionals depart the USSR and Eastern Europe, their employment in the West often is less advanced; and, rather than sending hard currency back to their original country, many emigres make luxury purchases that consume any savings they may have accumulated. The loss of professional people, then, provides little compensatory hard-currency influx for Eastern Europe and the Soviet Union.

Other demographic trends affect labor markets, and suggest the need for reform. Low birth rates, notwithstanding governmental encouragement for larger families, are a consequence of post-World War II urbanization and the housing shortage in cities, the heightened presence of women in the work force, and (perhaps) the sense of pessimism about future socioeconomic

conditions. A declining young population, and therefore smaller work force, may engender stagnation, but may also crystallize the need for greater efficiency and heightened productivity.

Simultaneously, as populations become better educated, the state socialist systems of Eastern Europe and the USSR will confront higher levels of worker dissatisfaction. Well-educated and highly skilled people in the intelligentsia find themselves poorly paid relative to factory workers in some industries. This situation is both discouraging to educated people, who are led to doubt the economic benefit of education, and harmful to the economic recovery of European communist states. Although wage inequality may be acceptable to most employed persons, arbitrary inequality that ignores the value of education or skills will create indifference in the workplace and animosity towards the system.

These demographic issues, although contributing to an environment in which substantive reform is needed, do not alter the political limits on labor markets in communist Europe. A real labor market, of course, will be absent until private ownership is accepted and an autonomous voice for labor is allowed. Without those two elements, labor is unable to negotiate with, and to sell labor to, someone with ownership rights.

RECAP OF SESSION A PRESENTATION: "Demographics and Labor Markets"

Goal. To determine the nature of the relationship between demographic trends and economic restructuring, or perestroika, in Eastern Europe.

Demographic Factors. The group wanted to specify the reasons for examining demographics. It was decided that the following elements were central to the discussion: overall rate of population change, gender distribution, age distribution, short-term and long-term emigration, and mortality rates. The question was how each of them affects perestroika and how perestroika affects each of them.

The discussion revolved around the following issues:

(a) Unemployment. One of the major problems indicating the need for restructuring is unemployment. Systemic inefficiency coupled with decreasing populations and low labor mobility causes employers to hoard labor. In the East, unemployment cannot be measured by Western standards because much of it occurs within factory gates, with people underworked or employed in fields other than those for which they were trained. In order to make the economies more productive, it would be necessary to lay off or reassign a number of these workers, an option made difficult by intrinsic characteristics of planned economies. In the first place, it would be taken as a violation of the social contract: the state will provide employment for its citizens. Second, it would be impractical to force large numbers of underemployed workers into an unprepared labor market, and housing shortages make it nearly impossible for workers to voluntarily relocate.

(b) Emigration. The group decided that while emigration has short-term benefits for both governments and workers, in the long run it is not beneficial for either. In recent years, several of the East Bloc countries have relaxed their passport restrictions, resulting in many departures for the West, particularly West Germany. This practice has served as a temporary relief valve for political and economic protesters but may backfire as Western countries respond by limiting immigration.

Emigration is also professionally and economically detrimental to Eastern workers and governments. Once the workers go abroad, they often wind up working in unskilled jobs, rather than their professional fields, and neither advance within their fields nor return with new skills. While some of them save their money to make a lump-sum payment on an apartment in their home countries, many of them make luxury purchases instead so much of the hard currency is not benefiting the home countries. This means that the East loses its professionals without deriving any long-term economic benefits.

(c) Other Factors Affecting Planning. In restructuring

industries, planners are also having to take into account the products of years of poor management, primarily in the areas of housing and environment. In most areas, labor mobility is severely restricted by housing shortages. Further, the environmental damage is so great in some areas, e.g., southern East Germany, Silesia, and northern Czechoslovakia, that no one is willing to move there even for higher pay rates. Some of the joint ventures are beginning to show concern for the environment, but the governments are distributing materials accusing western corporations of simply moving their environmentally unsound activities to East Bloc and Third World countries.

(d) Birthrates. The group was interested in the role of birthrates in pushing reform. Low birthrates have resulted from a combination of governmental policies and the post-World War II transition from rural to urban societies. Each of the governments actively promotes population increases, but there are many inherent complications. There is a lack of space for many couples, who might otherwise be interested in having more children; and in some countries, the economic situation means that women are needed in the workplace even though they are also needed at home raising children. The question remains whether lower birthrates will result in fewer young people with energy and ideas to spur change, or a heightened need to streamline economies and become more competitive.

(e) Education. The group decided that one of the biggest factors in worker dissatisfaction is the unjust inequality of wages. While inequality might be acceptable, arbitrary inequality is not. This derives, in part, from an uncertainty about the role and value of education in the workplace. According to traditional Marxian teaching, the productive sector (industry) generates more wealth than the unproductive sector (services) and therefore should receive a greater share of the common wealth. The results of such thinking are discouraging for more highly educated people, who see that there is no economic benefit to education. Higher wages are used to buy the support of the work force which supports the economy, and factory workers are often paid more than professors. The question arises, where will well-educated people turn their attention if there is nothing at work to devote themselves to?

Conclusions. One of the conclusions the group reached was that there can be no restructuring of the labor "market" without the creation of a viable market economy. Otherwise, there was no one to take the positions of labor, management, and consumer of labor. One must reform entire economic structures and attitudes thoroughly and create a non-hierarchical relationship between the state (the consumer), management, and the workers.

The final consensus was that perestroika was stimulated by the need to improve domestic efficiency and productivity to compete on the international market. Demographics are not the root of this change, but they provide irrefutable evidence supporting policies for change.

SESSION B: "Workers' Aspirations and Attitudes"
Chaired by Adrian Karatnycky
Department of International Affairs, AFL-CIO

There is general agreement among observers of Eastern Europe and the Soviet Union that populations ruled by these regimes are disaffected; their evaluations of both communist rule and the performance of such systems has been increasingly negative during the last decade as gauged by data from RFE-commissioned surveys. Other surveys, conducted by East European and Soviet scholars and polling organizations, have corroborated this trend.

Among workers, alienation from the system is likely to gain momentum as the effects of economic reforms, including higher prices, lower pay, and less job security, become apparent. Naturally, the "working class" is not homogeneous, and one must evaluate with care any data which do not differentiate among responses from different skill levels, various kinds of enterprises, etc. Further, we must take care that labels are not attributed to East European workers without consideration of the political context. For example, it would be erroneous to identify Polish workers as "conservative" only because they oppose reforms that would force them to give up job security or wages. Because Polish workers have thus far seen little of "reform" other than rising prices, it is understandable that they would not be prepared to "walk through the desert without knowing an oasis is at the end", especially since General Jaruzelski "is no Moses".

Yet, agreement concerning the discontent of workers in communist Europe does not yield consensus about how we assess the linkage between attitudes and behavior or about the cause of worker dissatisfaction.

The relationship between attitudes of industrial labor and the behavior of that stratum are difficult to pin down because of substantial country-to-country variation. Yugoslav workers seem to be apathetic yet inclined toward unrest; they strike, while not expecting such action to change the system. Likewise, Hungarians exhibit both apathy and activism insofar as cynicism about government statements coexists with a willingness to take up the cause of job security; recognizing that reforms will cut into their pocketbooks as the earlier New Economic Mechanism did not, Hungarian workers will, despite their apolitical nature, express their displeasure.

Precisely how workers become activists in communist systems is difficult to unravel. In Poland, the most highly paid industrial workers (miners and shipyard workers, for example) have been those at the forefront of organized strikes. We should avoid assuming that workers at the lower end of the pay scale, and therefore those most adversely affected by economic reforms, will be most inclined to protest. Instead, we might look for activism first in those industries where workers cannot avoid the worst effects of economic changes by pilfering

food or other commodities.

The degree to which activism is prompted by threatening economic changes, however, appears to be country-specific. In Poland, where the economic sophistication of workers is high, the Jaruzelski government has implemented price increases but, thus far, not other aspects of reform. It is precisely this one-track, noncomprehensive version of reforms that angers workers. Were an independent union officially sanctioned to represent their interests in the reform process, Polish workers would surely give their loyalty to it. Polish workers long ago established strong ties with intellectuals, perhaps unique in Eastern Europe, that provide a substantive character--rather than merely relying on emotional outbursts--to their activism.

In Hungary, the consequences of reforms, including mass layoffs, have been discussed openly. Anticipation of negative economic developments, in Hungary and elsewhere in Eastern Europe, encourages activism because workers do not identify with the system, and understand that trade unions are merely transmission belts for the party. As in Poland, the Hungarian trade unions have no positive reputation among workers, and have a better image abroad than among the rank and file labor they are allegedly representing.

Strikes in Yugoslavia have been ineffective, not only because such industrial actions have been in enterprises at the economic margin (as opposed to Polish strikes at shipyards, coal mines, and steel mills) but also because there has been no intellectual leadership. Whereas Solidarity had intimate contacts with intellectual dissidents and the Church, Yugoslav labor--in part because of its heterogeneity--has been unable to translate worker demands into a broader, systemic context. Higher wages, when achieved, are followed by another round of triple digit inflation. Workers are not yet able to coalesce and articulate grievances at the federal level, and are winning only transient victories. The official trade unions have, until recently, disassociated themselves from industrial actions; in 1987-88, there has been an effort to create a "code of conduct" regarding union and worker behavior during strikes. Nevertheless, official recognition of strikes and grievances inherent to them will not ensure success.

Of course, American workers have confronted plant closings and have had difficulty obtaining funding for retraining. U.S. steelworkers and other sectors of industrial labor have not welcomed these structural adjustments of the U.S. economy, but the presence of unions as distinct from the state and ruling elite has enabled labor's interests to be heard. In Poland, Hungary, and the rest of communist Europe, however, the rage at layoffs may be far greater than in the United States due to the absence of autonomous channels to represent workers' needs and demands. The mere voicing of protest against unemployment, as Hungarian trade unions have done, has not brought workers' support for the union since its role as part of the system, not labor's advocate, is clear. Ruling communist parties are aware of the potential for a massive crisis centered on the working

class, and may be constrained in the implementation of reform by fears of this stratum within their own populations.

Workers in communist states need to develop, or to have available, wider contacts within society--to various groups of dissidents, to intellectuals, to the Church. The presence of these contacts makes activism more possible, but does not guarantee it. Poland is the principal example of how ties between workers, dissidents, intellectuals, and the Church contributed not only to labor activism but to a broad national movement. But, in Hungary, dissidents want nothing to do with workers. In Romania, there is little evidence of intellectual-worker contact, and recent strikes appear to have been spontaneous.

This does not mean that contact between workers and intellectuals is a necessary prerequisite of labor activism. Romanian workers' lack of sophistication does not, for example, imply that they cannot identify their needs or articulate their demands. Yet, when barriers between workers and intellectuals are bridged or mediated, the probability of activism increases and the degree of efficacy is heightened. In Poland, the Catholic Church has played such a mediating role, while in the German Democratic Republic (GDR) the Lutheran Church has, to some degree, played a similar role.

Efforts in the intellectual community to break through labor's suspicion of academics and theory are required as well, and workers' spontaneous strikes may also evince the kind of desire for change that will lead to better ties.

The proximate issues generating activism among workers in communist Europe include, of course, wages and job security. Most strikes, in fact, pertain to wages, with the shop floor being the locus of wage demands. But in the course of economic reforms, the longstanding guarantee of employment in state socialism is ending, and the ability of workers to obtain or retain unity in the face of mounting unemployment is uncertain. In any case, the degree to which unemployment is now a motivating factor for activism varies from country to country; structural unemployment has not become a substantial issue among Polish labor, but is rising in Hungary, for example.

Governmental reactions to the labor situation can, moreover, contribute to activism by indecisive, partial reforms that seem only to foster price increases. There are, however, examples of much improved governmental handling of labor. The Yugoslav republic of Slovenia, for example, is pushing reforms which include a much greater role for the unions, where economic improvements will be sought while enabling the unions to play a sanctioned role in the protection of jobs and wages.

The dilemma between economic improvement (i.e., the structural reforms needed to achieve such improvement) and job security will not easily be surmounted. Winners and losers among workers, differentiated by education and skills, will become evident. The shift of workers displaced from state enterprises

to the private sector, as has been attempted in Poland, is not a panacea; the socialized sector appears to offer less demanding work, and many people moved into the private economy have sought to transfer back. In short, the issue of job security will be one of increasing sensitivity in Eastern Europe and the USSR if, and when, components of private enterprise follow decentralization of the state-owned economy.

These observations imply many causes for worker activism in communist Europe, starting with material issues of wages and the availability of consumer goods, job security, the availability of official channels to air grievances, etc. Most generally, workers' attitudes and behavior are affected by their outlook and sense of the future--an outlook that is fraught with suspicion and concern.

RECAP OF SESSION B PRESENTATION: "Worker Aspirations and Attitudes"

The session began with a review of some Radio Free Europe/Radio Liberty 1984-85 surveys regarding East European attitudes towards communism. The surveys revealed that the trend is against the system. A discussion of sampling methodology followed. Despite some questions by scholars, independent surveys have supported the general findings of RFE surveys.

Worker attitudes are changing with the evolution of government policies. Workers in the short term will suffer with the institution of reforms (for example, higher prices and lower pay).

It was pointed out that the working class should be disaggregated (blue collar/white collar, large enterprise/small enterprise, etc.). There is a problem with labels. What does "conservative" mean? On one hand there may be a trend toward conservative nationalism in Eastern Europe, but on the other hand workers don't want to give up job security or wages. It was noted that many, for example in Poland, don't see any evidence of reform (other than price increases). If there were evidence, they might accept reforms. The workers are not prepared to walk through the desert without knowing an oasis is at the end. In this context, someone remarked that General Jarulselski is no Moses.

The discussion turned to whether there is a general pattern which leads workers from apathy to activism. Yugoslav workers are both apathetic and inclined toward unrest. They do not expect strikes to change the system. The Hungarians, for their part, are also both apathetic and activist. They are apathetic in being cynical about government statements and activist on some issues, currently job security (it was remarked that whatever reforms take place in Hungary will be at the expense of industrial workers).

Many in Hungary are apolitical. The post World War II generation knows very little about political terminology (Social Democrat, Christian Democrat, etc.). Hungarian workers don't want to hear about reform today, since it is cutting into their pocketbooks. In the seventies on the other hand, workers weren't concerned about reform since their incomes were not hit.

In order to know what workers think, we have to use aggregate data and also talk to workers.

When do workers become activists? In Poland it has been the highest paid industrial workers who have been most activist. We, therefore, have to be careful about assumptions that it is the workers at the lower end of the economic scale, the ones who are most likely to be hit by reforms, who will be the activists. It was observed that unrest may occur in sectors where workers cannot adjust to economic changes (for example, if they can't pilfer as is common in the food industry).

The degree of economic sophistication is high among workers, at least in Poland. It is easier for governments to raise prices than to handle other aspects of reform. To date, as a result, reform has been one-track, and this is what workers have rejected. Workers would accept reform if it were comprehensive.

Perestroika might be viewed as structural adjustment. American steelworkers and others certainly haven't welcomed plant closings or the need for worker retraining. In Eastern Europe reform is likely to mean mass layoffs. The Hungarians have talked openly about this. In Eastern Europe, however, workers don't identify with the system. Secondly, trade unions are regarded as transmission belts for the party. Thus, worker rage at layoffs may be far greater than in the United States. If reform is carried out, there may be a massive crisis centering around the working class. As a result, reform may not be implemented in a wholehearted way.

In the Soviet Union at least, there is a possibility of nothing or very little happening. Soviet workers don't understand reform and they don't trust the managers to implement it. In fact, they are afraid that the managers will put the burden of reform on their backs.

If Poland is an example, workers would give their loyalty to independent unions representing their interests. In Hungary where the official unions have the reputation of doing the best job in the East Bloc of serving the rank and file, many individuals are currently taking the opportunity to drop their membership. It was observed that the official union has no reputation among Hungarian workers; ironically, the union has done a good job of selling itself abroad.

In Yugoslavia workers, who have struck, have been in plants on the economic margin. There has been no intellectual leadership for translating worker demands into a broader context. Recently, there has been a leveling off in strikes, inasmuch as workers perceive that strikes have not solved the problem of higher wages followed by higher inflation.

In Poland there are strong ties between the workers and intellectuals, which is perhaps unique in Eastern Europe. Polish workers don't simply reply on an emotional level to price increases; a lot of intellectual input goes into whatever they do.

What happens with the official trade unions when there are strikes? In Yugoslavia in the past, the unions have disassociated themselves from involvement. Presently, though, they are trying to come up with a code of conduct regarding strikes.

Concerning worker/dissident ties, in Poland there are ties between the workers and dissidents. In Hungary the dissidents do not want to have anything to do with the workers. Strikes in Romania have been strictly spontaneous.

Is contact necessary between workers and intellectuals? Romanian workers may not be very sophisticated, but they seem to know what they want nevertheless. There is a need to break barriers between the workers and intellectuals. It was observed that in Poland the Catholic Church has played a mediating role between the two. In the German Democratic Republic the Lutheran Church has to some degree played a similar role. Interestingly, in Romania the Communist Party has performed that function. It was pointed out that unity doesn't happen overnight. Over time worker strikes may lead to better ties between labor and intellectuals.

Worker attitudes will focus on what a trade union is rather than what it says. In Hungary the official union may be the leading advocate against unemployment, but the union has no support.

Most strikes have to do with wages. The shop floor has been a unifying factor in such strikes. The question was posed but not answered as to what happens to worker unity when workers are thrown out of jobs.

In Poland the concern is not about structural unemployment at this point. Thus the discussion about unemployment may be premature.

Is there any country where there is a perception of improved government handling of the labor situation? Slovenia (Yugoslavia) is actively pushing reforms which include a much greater role for the unions.

How does the dilemma between economic improvement and job security work out? There are winners and losers among workers (based on education, etc.). Another strategy is for many workers to go into the private economy (as in Poland). On this score, however, the evidence is mixed; some do not like the hard work involved in the private sector and return to the less demanding public sector.

In conclusion, a look at worker attitudes relies a lot on workers' perceptions of themselves. Much depends on whether they consider themselves as members of a working class in competition with the politicians for a larger piece of the pie or as members of a plant vying with workers in other plants.

As far as worker unrest is concerned, it has increased in varying degrees pretty much everywhere in Eastern Europe.

SESSION C: "Effects of Economic Restructuring on Labor Markets and Labor Relations"
Chaired by Gerald Holmes, Bureau of International Labor Affairs, U.S. Department of Labor

Because of the establishment role played by official trade unions and their complete penetration by ruling communist parties, "labor relations" in the sense of Western usage are still nonexistent. Denied the legitimacy of a real adversarial role because the official trade union structure has no latitude to adopt such a posture vis-a-vis the party and no rationale to do so (since trade unions are part of the party establishment as well), labor-management relations cannot develop. Restructuring (perestroika or far-reaching economic reform) thus connotes a problem for the economies of the region in large part due to the regimes' failure to create mechanisms through which to negotiate with the people most affected by reforms--workers. With official trade unions playing a minor, almost irrelevant role in worker-party relations, and the workers' councils or self-management structures providing little more thus far, trouble appears on the horizon between the authorities and labor.

Many of the key questions of restructuring run directly towards the gap between labor and the party. Questions will obviously arise regarding job guarantees, bankruptcies, wage differentials and the setting of wages, and many other tangible issues. Without enabling labor to have sanctioned input while reforms are taking shape, communist regimes are exacerbating difficulties in implementing perestroika and its East European versions.

Gorbachev himself appears to have given inadequate attention to a long-term blueprint for reform. The contradiction between a "macro" level at which central plans are made, and a "micro" level at which reform must be effected, will become more evident as time goes on. Without a road map that attempts to examine consequences of each element of perestroika, Gorbachev may be headed for disaster. Concerning the labor market, for example, it appears that layoffs of deadwood in enterprises may make sense in Moscow, but the layoffs will create grave ramifications unless there are new jobs to which they can be sent. Now, however, the Soviet economy (and most of those in Eastern Europe) is growing slowly if at all, and the creation of new jobs for displaced workers is doubtful. Particularly dubious is the idea of sending laid-off workers from one part of the country to another when housing will not be available for them when they arrive.

To avoid the most jolting aspects of restructuring, particularly to labor markets, an alternative to shifting the economies of communist states towards those of market economies may be possible. "Marketization", connoting the adoption of Western-style private ownership, is not necessarily the only route. Indeed, the use of "market type" incentives could be attempted, where much of the economy would retain socialist

characteristics. Yet, this endeavor requires a difficult marriage between the planning process and the free market. Even to contemplate such a relationship requires, first, a solution to the problem of ownership and who exercises the ownership function and, second, a decision by the party to withdraw significantly from the economic process.

The potential to reform gradually--and therefore successfully--affects the labor market and will be affected by it. As it now stands, reform is being imposed on the managerial stratum, and then imposed by managers on workers. This centralized decentralization imposes tremendous frictional costs because there are no new jobs to employ displaced workers and no source for the massive investment capital needed to create such employment, housing for workers who have been moved, etc. Foreign borrowing is less attractive than in the 1970s because of already high debt levels in several countries of communist Europe. Joint ventures raise the problems of export of profits and currency convertibility. Cooperatives may help, but would be slow to generate the number of jobs or capital. Conventional disarmament may provide one as yet unexplored possibility to raise Eastern Europe and the USSR out of their economic quandary; all states in the region are, relative to Western Europe or to worldwide standards, heavily burdened by military expenditures, military manpower levels, and the inefficient commitment of investments and productive capacity to military items.

Many of these ideas to generate capital, and to know how capital is truly being allocated, can be seen clearly only if prices reflect alternative costs. Were the USSR and East European countries to have foreign exchange rates--to have convertible currencies--one could decide whether or not to invest in domestic production of items that should be imported, and whether or not labor and capital could be invested in other products for export. Such information would enable ruling communist parties to encourage a labor market that responded to real international prices. As it now stands, there are huge misallocations of resources (especially labor) because these planned economies have no accurate information about alternative costs.

The East Europeans and the USSR face a massive economy-wide exercise in "managing change". Absent labor-management relations, and without autonomous unions to take part in the movement for systemic change, restructuring will continue to create, rather than solve, problems in labor markets.

Overlooked, or purposefully ignored by ruling party elites, is the core of political reform, i.e., the fate of labor organizations and councils, nationally and in the enterprises. Were workplace democracy to become secure in these states, economic reforms would be secure as well, insofar as labor-management relations would have been recognized. That kind of political reform, however, is at present unlikely.

RECAP OF SESSION C PRESENTATION: "Effects of Economic Restructuring on Labor Markets and Labor Relations"

Labor relations were disposed of rather quickly. As far as labor-management relations are concerned, there is no prospect they will develop. Neither in the USSR nor in Eastern Europe are unions in the vanguard of change. They are unlikely to assume a real adversary role. There are no guidelines to follow for labor-management relations in Eastern Europe.

The balance of the discussion dealt with labor markets and related matters.

Katz: A period of relaxation in the planning process is required for reform. There is a basic contradiction between the macro of plan goals and the micro of reform. Gorbachev is headed for disaster if he tries to restructure workers while there are no new jobs. No road map is evident today although one is needed. Managers are faced with the prospect of layoffs in their efforts to get rid of deadwood, but this is during a downturn and that's a bad time to do it. Eastern Europe needs that road map of where they want to go or disaster will follow.

Marer: Is there an alternative to sustained improvement in the economy without a shift to a market economy orientation? Are they talking about real "marketization" of the economy or about using "market type" incentives to implement the plan? If this is to be answered, two questions must be solved: 1) what is ownership and who exercises the ownership function? and 2) is the party willing to significantly withdraw from the economic process? The great problem is how to marry the planning process and the market.

Katz: What you have in Eastern Europe is not managerial reform but party reform imposed on managers. Can there be gradual reform? The speed of reform is critical. How can you stretch price reform over four years? How do you determine profitability? If economic change is immediate, massive unemployment may be one result: immediate costs and future chaos. There are tremendous frictional costs because there are no new jobs. Massive investment program might be the solution. There is potential demand that might be released: housing construction, and telecommunications, for example. The problem is how to make investment capital available to employ restructured workers. How should capital be formed: co-ops? Foreign borrowing? Joint ventures, or by disarmament--especially the ground forces?

It is logical to expect that centrally planned economies who chose adjustment will pay the cost in the form of high and sustained unemployment. They will have to borrow capital to generate growth, but massive financing is unlikely in Eastern Europe.

The two big barriers to the expansion of joint venture capital are currency convertibility and export of profits. If the

economy doesn't work well, joint ventures won't either. Western companies pursue joint ventures because of the prospect of long-term gain of market potential. No short term gain.

Katz: Managers are not free to be responsible as long as the planning mechanism determines the overall picture.

Pursey: Without an exchange rate there is no anchor for development of reform. Prices should reflect alternative costs. East European planned economies can't, and they don't know true alternative costs of allocating capital because without exchange rates you don't know the alternative value/ cost of the capital. A country should be investing in domestic production of things that it should be importing, and not investing in, or allocating labor to produce goods and services it can export. It won't know of misallocations of resources because there are no exchange rates with which to compare real international prices.

Clatanoff: Reform, as a practical political matter, would almost certainly start by trying to get domestic price relationships "right" and ignore comparative (international) prices until much later. Doubts the ruble will be a convertible currency anytime soon.

SESSION D: "Changes in the Function and Role of Labor Organizations"
Chaired by Dr. Jack Bielasiak, Indiana University

Trade unions in European communist states, because of their histories over the past 40 or more years, confront a variety of dilemmas implicit to their participation in economic reforms under way in such systems. At the outset, there are structural problems; how can trade unions born out of centrally-planned economies now begin to operate in decentralized market-oriented economies (assuming, of course, that perestroika and its East European parallels are implemented fully)? Organizational dilemmas also exist for it is unclear how official trade unions will adapt to internal changes, including different backgrounds of members, different attitudes and expectations, and demands for greater procedural democracy. Additionally, trade unions face representational problems since they will no longer easily be able to finesse their dual role as transmission belts for the party and representatives of workers' interests. The pressure to more fully act as a workers' voice will be considerable and difficult, given current penetration of the party within the trade union apparatus.

Finally, but perhaps most important, is defining the scope of trade unions' responsibility. Unions in communist states have thus far had economic responsibilities only, and even then confined to efforts to enhance discipline and productivity. If restructuring is to mean anything, the voice of labor will have to be heard beyond these narrow confines, potentially entering the realm of public debate about policies and leadership.

It is not self-evident, however, that any of these issues are being discussed in Eastern Europe or the Soviet Union. Poland, during and after the period during which Solidarity was legalized, has engaged in such public debate. If there is a consideration of labor unions' role elsewhere in communist Europe, and there is some debate about this assessment, then it is relatively more muted and in earlier stages.

Trade unions have been widely discussed in Yugoslavia. Their traditional role, as a place in which to "park aging politicians", must now be reconsidered. With Yugoslavia's intense economic difficulties, unions are grappling with their role-definition amid processes of structural change. Rejuvenation of unions has progressed further in Slovenia than elsewhere in Yugoslavia as part of a larger effort to reinvigorate society. As with so many characterizations of Yugoslavia, however, Slovenia neither is representative of Yugoslavia nor is its example applicable to the USSR or the more centralized economies of Eastern Europe. During Gorbachev's visit to Yugoslavia, indeed, the Soviet General Secretary expressed concern about excessive party decentralization which leaves self-management at the factory floor without anyone above to coordinate federal policy. Ethnic divisions intervene in Yugoslavia, preventing working class consciousness; strikers in Macedonia and Slovenia in the fall

1987, for example, gave no thought to coordinating their activities. Whether or not trade unions can ever overcome these divisions is doubtful.

Workers' councils--the principal structure in the rhetoric of self-management--can captivate the interest of industrial labor. The Polish example demonstrates that there can be shop-floor enthusiasm generated for self-management if such a concept is linked to labor's autonomy from the party. Today, the situation is sufficiently loose in Poland to enable some Solidarity adherents to be active in self-management structures which during 1980-81 were promoted by the government to counter Solidarity's influence. When martial law was imposed, Solidarity tried to infiltrate these workers' councils, although the self-management system was vastly reduced during martial law. Today, local management recognizes Solidarity's influence in workers' councils and deals with them. Meanwhile, the official trade union structure (OPZZ) has begun to engage in some of the same kinds of tactics Solidarity once used, while still serving the Jaruzelski regime's aims by providing information concerning labor and by creating an opportunity for "negotiation". It is, of course, because of Solidarity's continued existence that the official union structure must act as it does. OPZZ differs from both the old official unions and counterparts elsewhere in communist Europe principally due to the alternative of Solidarity. This complex mix of roles among Polish labor organizations is unique in communist Europe. The "pluralism" in Poland's political environment--or, at least, tolerance of diverse views as long as organizational challenges to the Party are not mounted--is one that necessitates a trade union organization quite different in style than those of neighboring communist states.

Hungarian trade unions are in crisis. For Karoly Grosz, the substantial (10 percent) decline in trade union membership, their failure as transmission belts, and fierce internal debates regarding future roles make the unions one of the most troublesome institutional issues confronting the HSWP regime. The debates about how unions should relate to workers as the Hungarian reforms are pushed further go to the core of ruling communist parties' dilemma with the "proletariat". Should the unions champion the cause of "legitimate worker grievances" and, if so, how ought those be defined? Some splintering of the official trade unions has already begun with scientific and technical workers forming their own independent union in early 1988. Where this may lead is an important barometer for Eastern Europe and the USSR since Hungary is further along the path of restructuring.

Generally, trade unions have not been "reformed" as part of the larger economic restructuring. Neither the Soviets nor East European ruling elites want to promote changes that could transform trade unions into a vehicle for political challenges to their control. Any "reform" of trade unions in the past has been largely cosmetic and implemented through strict application of democratic centralism. Nevertheless, the trade unions of European communist states are speaking the rhetoric of

socioeconomic and political changes, and are seeking to reestablish ties with the West that were frozen during the Solidarity period. They are, moreover, seeking Western counsel regarding matters ranging from workplace safety to job security.

Without a free market, of course, the possibility for free trade unions will be severely constrained. Trade unions, in their current official form thoroughly integrated with a state socialist system, will be largely irrelevant in the genesis of reforms. They will, however, be strongly buffeted by the winds of change, and will be forced to adapt to new needs and demands of labor. The pace and breadth of these adaptations will depend on the party's sense of urgency--which, in turn, will be a function of mass pressure for change felt by the party elites.

RECAP OF SESSION D PRESENTATION: "Changes in the Function and Role of Labor Organizations"

In opening the discussion, the chairman broke the role problems confronting the trade unions down into four parts: structural (how trade unions are organized in centrally planned economies to operate in decentralized market-oriented economies); organizational (how trade unions operate to meet changes internally); representational (the dual role of the trade unions--as transmission belts for the party and as representatives of the workers' interests--is at stake); and the scope of responsibility (whether unions will be viewed in a narrow economic sense or whether they will take on a political role).

Turning to whether there is a discussion about the role of trade unions in Eastern Europe, one view was that outside of Poland there doesn't appear to be much of a debate.

In parts of Yugoslavia, however, there is a fair amount of talk about the trade unions, which traditionally have been a place to park aging politicians. The unions are grappling with what role they should play in the process of structural changes. In Slovenia, in particular, as part of an attempt to invigorate society, there is an active effort to rejuvenate the unions. This should not be viewed, though, as applicable to Yugoslavia as a whole or as having any relationship to Gorbachev's efforts. Gorbachev, in fact, has criticized Yugoslavia for excessive party decentralization. There is self-management at the factory floor but no one above to coordinate federal policy. Workers have little sense of working class consciousness. They are too divided ethnically. For example, workers in Slovenia and Macedonia never thought of coordinating their activities during their protests last fall.

In the Soviet Union, works councils may replace the unions. The Polish experience shows that workers are interested in self-management. The declaration signed by Gorbachev during his visit to Yugoslavia emphasizes self-management.

In Poland the situation is loose enough for Solidarity adherents to be active in the self-management system. Concerning the official unions, some locals are involved in Solidarity-type activities. The official unions provide both an opportunity for the government to know what is going on and an opportunity to "negotiate" (as a counter to Solidarity).

The discussion turned to the question of why the role of trade unions has not been on the list for reform. The Soviets certainly don't want a vehicle that could challenge their system. Historically, reforms have been implemented from above.

There is a unique situation in Poland where there is some degree of defacto "pluralism" (there was some concern expressed about the use of this term). The official union has to take Solidarity into account in whatever it does. An alternative does not exist elsewhere in Eastern Europe. Because of

Solidarity, the OPZZ cannot be viewed in the same light as the old official union or its counterparts in the East Bloc.

In Hungary the trade unions are one of the most troublesome institutions for the regime. Their role as a transmission belt is not functioning. The unions have lost at least 10 percent of their membership. At the institutional level, they are under immense pressure to change. There is a fierce debate going on as to whether they should move toward the workers. The unions are being dragged into the restructuring process of having to deal with "legitimate worker grievances." The old system is splintering--witness the recent establishment of the independent union of technical workers. As Hungary is the fartherest along with restructuring, what has happened there may well portend what will happen in other East European countries.

What role do works councils have in Poland? In the early 1980's the government encouraged the development of works councils in enterprises as counters to Solidarity. After the imposition of martial law, Solidarity tried to infiltrate the councils. The bulk of the major enterprises in Poland, however, were taken out of the self-management system during martial law. There has been some easing of this situation recently. In some instances local management recognizes Solidarity's influence in the works councils and deals with them.

East European unions ballyhoo changes as if reform had already taken place. Their primary purpose is to re-establish contacts with the West which were frozen during the Solidarity period. There is sort of an international "transmission belt." The rationale for contacts has changed from "we have solved all our problems" to "we have problems and you have answers."

What role the Communist Party will have is up for grabs in most of Eastern Europe. There can't be a totalitarian party and a free market. Trade unions may be irrelevant in the reform process. Nevertheless, the role of the unions will be impacted as pressure for change is applied from below to the party.

SESSION E: "Government Reactions to and Policies Toward Labor"
Chaired by Thomas Lynch, U.S. Embassy, Budapest

Are communist governments driven primarily by ideology or expediency when dealing with labor? Particularly during a time in which the Soviet and several East European regimes are attempting to implement top-down reforms, is there an evident change in how such ruling parties are relating to labor organizations?

Most generally, ideological rules still guide communist parties' dealings with labor organizations. The late 1980s, however, is a period when ideology itself is in flux, pushed by expedience. As long-cherished notions embedded in Marxist-Leninist ideology are tested by the currents of perestroika, glasnost, demokratizatsia, etc., European communist regimes will have to engage labor organizations in a different, and perhaps more adversarial manner.

On the shop floor, some of the dynamic elements now present in Eastern Europe and the USSR can be identified. The shop steward has been regarded by most Western observers as a role used in communist states merely to promote expedience rather than one meant to represent workers in conflicts with management. This evaluation, however, is now challenged as Soviet shop stewards on occasion have begun to intervene in worker-management disputes, adopting an adversarial role on behalf of the employee. That such interventions remain the exception, not the rule, is illustrated by the Hungarian case; three-fourths of all shop stewards are appointed by the HSWP secretary or enterprise director. Once appointed, the steward's primary function is to dole out vacations, not to represent the workers. Yet, in Poland and Yugoslavia, some aspects of shop steward functions are expanding, with even official (OPZZ) branch unions challenging government and management in Poland, spearheaded by actions of shop stewards.

The broader framework of governmental policies towards labor organizations, to be sure, varies greatly among countries. Trade unions continue to be treated, by and large, as transmittal devices, not workers' advocates, because of the weight of ideology. Certainly, the Romanian case is an extreme where Ceausescu's brand of ideology runs the country, and relationships between the government and all other socioeconomic organizations are conditioned entirely on the basis of the regime's philosophy concerning that organization's appropriate role. Even in Hungary, however, where far greater openness is practiced, unions are not expected to be advocates or to negotiate on behalf of workers regarding pay or benefits. The HSWP government views autonomous unions as dangerous, yet considers the presence of today's official unions as a necessary transmission belt (notwithstanding their lack of credibility in such a role). Similarly in Poland, the Jaruzelski government, fearing a renewal of an independent labor movement, has been spurred to maintain influence over

upper management and to be attentive to shop floor developments. Consequently, through OPZZ, there has been increased interest in working class conditions. By comparison, Yugoslav labor, particularly in the northern republics of Croatia and Slovenia, has turned to workers' councils in adversarial relations with government and management. Ideology, once again, intervenes to prevent unions from becoming an advocate for workers' rights; they tend to be ineffective, disorganized dumping grounds for old or incompetent party cadres.

The denial of an adversarial role for labor organizations continues to be an unbending ideologically-based principle of European communist regimes. In Eastern Europe, no government operates from the position that unions ought to be adversarial. This view follows from the presumption that societies are "cooperative", and that provisions for conflict between people who produce and management/government are neither worthwhile nor necessary.

Despite such a principle, however, incremental changes in the stance of labor organizations can be possible. Even if ruling communist parties remain convinced that they can never sanction unions that speak for workers and against party policy, the dichotomy between adversarial or non-adversarial relations does not enable us to see subtle transitions particularly at a time of considerable ideological flux.

What conditions may encourage a nascent adversarial role for labor in Eastern Europe and the USSR? Certainly, declining standards of living, or sharp curtailments after a period of rising expectations, can be expected to encourage unrest. For decades, the Soviets and East Europeans have favored blue-collar workers and been attentive to their needs with wage increases, awards, and privileges. Current reforms have yet to bring more than a marginal influence of market elements into wage-setting and enterprise performance, although there has been an effort to allow increased mobility, enlarged wage scales, and less restrictive job classifications. The aspects of restructuring most noted by workers thus far have been price increases and wage taxes introduced in some enterprises. Endangered job security is also widely feared. In these ways, material issues begin to affect workers' propensity to protest.

Workers also have to believe that their actions might bring results, and this depends significantly on the organizational support and guidance available to them. Existing unions can evolve in that direction provided that the government will either tolerate their activities or be too distracted by other crises to deal with them; when such an opportunity arises, of course, union members must act quickly to establish a credible alternative. Disaffection, a sense of efficacy enhanced by organizational guidance, and careful timing all will play a part in the development of an adversarial role for labor.

Poland remains a focal point when considering labor organizations in communist states. Worker pressure, much more than plans for restructuring by the central government, is providing

the pressure for official unions (OPZZ) to be more active. Pressure and economic motives have brought workers to join the new post-martial law official trade unions of Poland. Solidarity remains influential, and the regime certainly knows that social peace requires an effort to find accommodation with Walesa. Solidarity can become more active, as it did in the summer of 1988, but its strength is now confined primarily to "elite" enterprises rather than the smaller, provincial factories. The Church, without which Solidarity would have never gained the strength it has achieved, is also less willing to engage in conflict with the Jaruzelski regime.

Aside from Poland, however, trade unions' activities on behalf of labor are linked to economic reforms. Perestroika and East European variants are efforts to reform before economies fail; the issue is survival, not change for the sake of change. In this reactionary environment, it is not surprising that these communist regimes have not anticipated a rapid expansion of the roles played by trade unions, or their sudden adoption of adversarial roles on behalf of labor. The progress of reform has, moreover, been halting, and its effects thus far limited. In Bulgaria, some changes have appeared in statutes and procedures, but the change will go only as far as the Soviets want it to. In Hungary, the government conducts opinion polls so that it can respond to complaints before unrest ensues. In Romania, no reform on a systematic basis is even contemplated. The possibilities for labor organizations to be transformed through economic reform processes alone thus appear minimal. Some potential for cross-national diffusion of worker activism may exist, but governments of the region keep a wary eye on any contacts between, for example, Solidarity and Hungarian or Romanian dissidents.

Governments of Eastern Europe and the USSR will, it seems, continue to regard labor organizations in an ideological light. Yet, as ideology itself evolves, pushed by the critical demand for economic reform, workers will see some greater opportunities to pursue their interests. Unions will remain less than adversarial, and will not soon have available to them the threat of industrial actions. Nevertheless, both the glasnost inaugurated by Gorbachev and some modest expansion of public debate in Eastern Europe have cracked the monolith of party control. It is reasonable to expect that workers' efforts to press their interests--through official trade unions or alternative channels--will have the consequence of increasing the adversarial content of their relations with the government.

RECAP OF SESSION E PRESENTATION: "Government Reactions to and Policies Toward Labor -- Driven by Ideology or Expediency"

During this session, the group concentrated on the nature of the relationship between governments and labor organizations, and the nature of labor organizations themselves. In this context "government" refers to current East Bloc regimes, and "labor organizations" can be official or autonomous unions, as well as dissident movements and individual worker manifestations.

The discussion began with a debate on the nature of trade union structure. It was generally agreed that the governments had inherited classic trade union structures with socialist, not communist, ties after World War II. It was also decided that unions are now largely message carriers.

Considerable debate arose over the function of the shop steward as a representative of worker needs. Some thought that the shop steward had no adversarial role and only intervened in the interest of expediency. Others contended that shop stewards do on occasion represent the workers in conflict with management, and cited instances in the Soviet Union in which shop stewards have intervened. In either case, it was clear that this was the exception rather than the rule, which is more closely illustrated by the Hungarian example, where three-fourths of all shop stewards are appointed by the party secretary, enterprise director, or chief executive figure. Once appointed, the steward's primary function is to dole out vacations, not to represent the workers. Even when the steward plays a more active part, there is the question of whether it's out of personal commitment or as a government official. Only in Poland and Yugoslavia are shop steward functions increasing--in Poland it's fairly common for unions to challenge management and government.

Some time was devoted to examining the government/union relationship in various countries. Of primary interest was whether unions are treated as transmittal devices or as worker advocates. In Romania the case is clear: ideology runs the country and government philosophy guides all relationships. In times of conflict, the government tends to deal with the immediate problem and then punish the protest leaders. Unions are not expected to be advocates. In Hungary, trade unions have nothing to do with traditional affairs such as negotiating benefits. Government policy is affected by ideology, economy and worker politics. The government views unions with fear and dismay, but sees their necessity as a transmittal device--even though the unions have not held credibility as such. In Poland, Solidarity activities have spurred the government's interest in maintaining influence in upper management and on the shop floor. They want to accomplish this at the lower levels by taking an increased interest in working class conditions. In Yugoslavia one needs to look at the regions. For example, in Slovenia and Croatia, the union is a trans-

mittal device in the old East European sense. The unions are most involved at the shop level, but it is an ideological involvement because the workers are the "owners" and as such are not supposed to strike against themselves. The unions tend to be ineffective, disorganized dumping grounds, with no interest in worker rights. The workers turn to worker councils, which function as unions.

It was also asked how an official government organization can represent worker interests when they are in direct conflict with government policies, e.g. in a time of fiscal austerity. One answer was that the unions ensure that the workers get unemployment benefits.

There was also discussion of the very role of the trade union in East European society. No government operates from the point of view that unions are supposed to be adversarial. Since the societies are "cooperative," everyone is theoretically on the same side and there is no provision for conflict. After a while, someone noted that there is not necessarily a dichotomy between an adversarial and a non-adversarial relationship, that it can also be considered a continuum, and that there can therefore be incremental change toward more complete union representation for workers.

The group was also interested in the factors which cause workers to protest. When everyone is fairly well off, there is little motion toward conflict, but under what conditions do workers actually rise? Mostly, the people have to believe that their actions might bring about results, but they still need guidance. When the unions have the sense that the government will either tolerate their activities or be too distracted to deal with them, they must act quickly to establish a credible alternative.

Much of the discussion centered on current activities in Poland where the unions are becoming more active because they are being pushed by worker pressure--not by perestroika. It is worth noting that even after the recent strikes in which the workers got a fairly generous wage increase, they were upset because a vote had never been taken.

Everyone agreed that, in most cases, Polish workers only join the official unions for economic reasons or because of management pressure. There was, however, considerable debate on the extent of underground labor involvement and whether it is increasing or decreasing. While some believe that Solidarity is an influential force in the labor setting, others are of the opinion that it has become unable or unwilling to take on new challenges, and that it is unable to carry out its ideas. This could be due, in part, to the current political culture in Poland, and there may be future action even though there is not much at the moment. It was also noted that Solidarity's involvement has been largely at the "elite" factories, not the smaller, provincial factories. It's also essential to recognize that Solidarity could never have achieved the strength it did without the involvement of the

Catholic Church.

The discussion turned to the nature and motivation of government reforms. It was noted by someone that the commitment to economic reform was essential before trade union reform could take place. The governments are mainly interested in reforming the economy before it fails. In other words, it's largely a matter of economic survival rather than a desire for fundamental change. For the most part, government responses have been reactionary. They have had to be more open about the economic situation because its effects are readily apparent. They still tend to deny social problems. It's worth noting that much of the Soviet reform to date was brought about by glasnost, not perestroika.

In other countries, while reforms may have officially been made, their effect has been limited. In Bulgaria, some changes appear on the books and there is some motion, but the change will only go as far as the Soviets want it to. In Hungary, the government takes opinion polls so it can respond to complaints before they are transformed into action. In Romania, even under deteriorating conditions, there is no systematic response--change is still on an "as needed" basis. A fundamental question in this regard is whether or not it is even possible to instigate reform from above in communist states.

Several people wondered whether ideas were flowing between countries at either the worker or government level. It was observed that Polish ideas are having an impact in Hungary and Romania, and that the other governments do keep an eye on Poland to try to avoid the same sort of labor action.

In summary, East European governments consider trade unions to be expedient at a low level, but they are used primarily for ideological purposes. At least in the Soviet Union, there are ideological changes to accommodate the fact that expedient changes have not worked. Consideration is being given to more independent unions although the government runs the risk of stimulating new ideas which had not yet been conceived.

The final irony is that there is a good chance that the unions will work against both the governments and perestroika.

RECAP OF GROUP DISCUSSION FOLLOWING SESSION E:
"Government Reactions to and Policies Toward Labor"

The following questions and responses came up for discussion:

How are the Soviets doing things in the central planning committee?

Blue collar workers are preferred and are benefiting from wage increases, awards, and privileges.

What are the main trends and reforms?

Trends are toward increased mobility, enlarged wage scales, and less restrictive job classifications. Wage bills are not as absolute and are not always tied to a variable factor. While the basic structure has not been reformed, some private enterprise characteristics have been applied to public sector activities, e.g., wage taxes introduced in some enterprises.

What are some of the differences between countries?

Some countries allow contracts to worker brigades. The Soviet Union is paying some of its managers higher salaries. The East German managers are usually comparatively well paid. The governments show differing abilities to control their wage bills and thereby inflation.

What are the issues for the present and future?

The heavy indebtedness to the West is leading to a cut in consumption and great domestic pressure. Market elements still have only a marginal influence on wage-setting and enterprise performance.

The relationship between the public and private sectors is ambivalent. Those who can participate in the private sector like it; those who can't resent both the competition and the higher wages of the private sector. The governments are also ambivalent--they appreciate the contribution but are sensitive to political implications.

SESSION F: "Wage Structures and Wage Differentials Including Private and Entrepreneurial Income"
Chaired by Dr. Paul Marer, Indiana University

Remuneration for labor in Eastern Europe and the USSR --traditional centrally-planned economies (or TCPEs)--has been determined by the central allocation of labor. The number of employees per enterprise, their job classifications, wage rates and scales have all been the province of state planning agencies. In TCPEs, managers are essentially administrators with little authority to affect the allocation of resources to improve workers' performance or enterprise efficiency.

Over time, informal mechanisms have evolved to reward workers for productivity. Since the official wage rate is both inflexible and may comprise only 50-85 percent of total remuneration (depending on the country), some kind of informal mechanisms have been necessary. Allowances add significantly to total remuneration, and provide a device for enforcing workers' behavior in behalf of the enterprise's production targets and regime's economic goals. Greater real wage differentials are sometimes justified as a way to encourage productivity. One also finds that subsidies and allowances for housing, vacations, and health care are reallocated as a way to reward or discipline workers. Rewards may also be in the form of payments in kind, although such informal remuneration will be most effective during periods of economic prosperity, i.e., when there are more alternatives to be offered in lieu of additional wages. All such unofficial methods of remuneration risk alienating workers who see themselves being disadvantaged by the reward system, and who may criticize these practices as contrary to socialist principles.

Were economic reforms to proceed, it is difficult to discern how wage structures and wage differentials would be affected. From present indications, labor mobility, job definition, wage flexibility, and performance-related remuneration all appear to be areas of attention for reformists. Although there is considerable variation in the form of such attention, country to country, Hungary has begun to exhibit significant movement towards greater acceptance of private and entrepreneurial income.

The Hungarian case suggests, for example, a willingness to accept reforms after wages and innovative remuneration procedures were adopted successfully in agriculture. Hungary's state sector has now instituted reforms that allow private Contract Work Associations, or equivalent groups, to contract to perform certain tasks in overtime or in regular work arrangements for separate, and largely unregulated pay.

Although workers' incomes are raised by CWAs, and a contribution to the national product is made by their activity, there have been important negative consequences as well. Because some people thus hold what amounts to two jobs and gain a substantial second income, others are bypassed and face lower

real wages. Reform measures that encourage such private contracting appear to elevate real wages for some skilled and unskilled (blue collar) workers, while incomes of professionals and skilled technical workers have often not been given priority attention in reforms. The emergence of widely differing levels of real wages is certain to create tensions in the labor force. Such tension may not foster challenges by specific groups within the labor force against others; workers may tolerate a notion of total worker compensation. Labors' potential unity, however, will be impeded.

The Hungarian example suggests that the reform environment has induced changes in the relationship between compensation and regulation of wages in the socialized and private sectors. Other factors contribute to these changes, of course, including technological changes which enhance productivity and thus create the possibility of higher incomes and total compensation. The extent of a country's trade and international commerce will also influence changing patterns of compensation in new private and entrepreneurial sectors versus the socialized economy.

At the core of these changes is an emerging conflict between private and socialized sectors. This conflict is not entirely negative. Taxes paid by the enlarged private sector will add to state income, and regulation will limit its ability to function at levels that severely impinge on state enterprises. Workers who are employed in the private sector appear to experience greater job satisfaction and higher pay.

Yet, the growth of private enterprise has meant that employees must work long hours to obtain their higher pay, and those workers may become envious, and later frustrated, at their inability to participate in successful entrepreneurial undertakings. In the larger economy, the private sector will compete with state organizations for resources, and may offer superior quality final products. This, in turn, could lead to altered allocation patterns for economic resources, attempts at control by the state sector, and some inflationary pressures.

As a consequence, managers and government authorities are ambivalent amid the emerging conflict between socialized and private sectors. Worker contract groups and other innovative steps that enhance the potential for private income can be appreciated by the authorities because of the flexibility and productivity that follow. Yet, they (officials in charge of economic policy) also see resources being drained from a state sector that remains bound by centrally-decreed plans.

For labor, it is unclear whether actual markets for capital and labor will develop. People will be uncertain about the future, and therefore reluctant to commit resources or labor. Official labor organizations will respond to privatization largely according to guidance from the ruling parties, although the Polish case is again unique because of Solidarity's presence and support for an expansion of the private sector. Elsewhere, labor organizations may still be grappling with the issue. A

system to deal with unemployment has priority in the official Hungarian trade unions, while other parts of Eastern Europe are beginning to face the issue of resource allocation for labor. The GDR, for example, has moved towards paying technical and managerial personnel at a comparatively higher rate, and Hungary and Poland are giving consideration to a system for higher rewards for these individuals. Incomes may, as a result, exhibit greater differentiation. By contrast, Romania has (in the 1980s) further lowered real income, as the Ceausescu regime pursues unrealistic economic goals. Ceausescu's policies towards labor have little to do with matching remuneration to labor, but rather use fluctuations of wages and benefits as a punitive device.

The large debt of Eastern Europe to the West and dismal economic performance of these countries and the USSR during the 1980s are pushing reform. Inherent to restructuring state socialism is the acceptance of private and entrepreneurial income. The cuts in consumption necessary to address debt, and the need for wage differentials to encourage productivity and efficiency--implicit in a system where private and socialized sectors coexist--raise the danger of a political backlash because of income inequalities. Wage settlements that are inflationary will exacerbate these inequalities and heighten the political dangers. If market elements for determining wages were perfect and fully implemented, these political consequences could be ameliorated. Instead, Eastern Europe and the USSR may be unprepared institutionally to manage the political consequences of their own economic reforms.

RECAP OF SESSION F PRESENTATION: "Wage Structures and Wage Differentials Including Private and Entrepreneurial Income"

Discussion of these issues was heavily concentrated on 1) the functioning of a Traditional Centrally Planned Economy (TCPE); 2) the meaning of reforms in this environment; and 3) the relationship between compensation and regulation in the socialized and private sectors. Additional points noted significant differences in policy and practice among the East European nations. Finally, some thoughts on future trends emerged.

Employment, wages, and salaries in a TCPE are characterized by the central allocation of labor regarding the number of employees, job classification, and wage rates and scales. Managers are essentially administrators with little authority to influence the allocation of resources in order to improve performance of workers or the economic entity. Informal mechanisms have been developed to reward workers for productivity. This has been necessitated in part by inflexibility in official wage rates and the fact that, depending on the country, wages may comprise 50 to 85 percent of total remuneration. Allowances comprise a significant percentage of remuneration and provide a device for enforcing behavior to achieve program goals. This may take the form of providing justification for greater real wage differentials to encourage productivity. Reallocation of subsidies and allowances for housing, vacations, health care, and other forms of compensation by management may reward or discipline the workers. Rewards may also take the form of payments in kind although this practice is thought to be more effective during periods of economic prosperity when a greater number of alternatives are available. These practices may be criticized by workers who are disadvantaged in the reward system as being unsocialistic. They may also vary with the degree of monetization in the economy.

The meaning of reform in this environment is difficult to discern. General trends indicate that labor mobility, job definition, and wage flexibility and performance-related remuneration appear to be current areas of attention in reform. Country practices vary widely. Some nations such as Hungary appear to accept reforms after an initial successful reform in the agricultural area. Reforms in the state sector allow private CWAs or equivalent groups to contract certain tasks in overtime or regular work arrangements for separate, and largely unregulated pay. This raises worker incomes and increases the national product. However, conflicts result from what often amounts to widespread holding of two jobs and increased income for some while others are bypassed and face lower real wages. Reform measures appear to increase real wages for some skilled and unskilled (blue collar) workers. Incomes of professionals and skilled technical workers often have not been designated for priority attention resulting in some skills shortages. Widely differing levels of real wages

will create tensions in the labor force. However, open criticism of certain groups is thought to be unsocialistic and unlikely to emerge. Workers may tolerate a notion of total worker compensation. However, they are unlikely to challenge advances by specific groups within the labor force.

Labor mobility between jobs may be increased although disincentives to changes in geographical location are significant and are likely to remain so. Some countries such as Hungary are recognizing unemployment compensation as necessary to deal with measures undertaken to improve economic efficiency.

This environment has induced changes in the relationship between compensation and regulation in the socialized and private sectors. Technological change will likewise influence incomes, productivity, and compensation. Priority given to trade related activities and achievement of export goals will also influence these changes.

Basically, the private and socialized sectors are in conflict. However, the synthesis of this conflict has some positive aspects. The private sector will be subject to taxation and regulation to limit its ability to function at levels that severally impinge upon the functioning of the state enterprises. Aside from the contribution to increased national income and product that is recognized from the private sector, different groups view private sector reforms from different perspectives.

Workers appear to experience greater job satisfaction and higher pay from their participation in these activities. They do, however, work long hours to obtain this. Additionally, workers, who are unable to participate, envy the success of those who can, and they are frustrated.

Managers and government authorities are ambivalent. On the one hand, they appreciate the flexibility and productivity provided by the worker contract groups. On the other hand, they see resources being drained from the state sector that are still required to meet its goals.

Conflicts between the private and state sectors will appear in both product and factor markets. The more dynamic private sector will compete with the state organization for resources and may offer final products that are of superior quality. This could lead to altered patterns of allocation for economic resources, attempts at control by the state sector, and some inflationary pressures.

It is unclear whether actual markets for capital and labor will appear. Lack of transparency and uncertainty may prevent or materially retard their establishment.

Country labor organizations respond differently to privatization. They may receive different political guidance from their party. In Poland, Solidarity supports it. Labor organizations elsewhere may still be grappling with the issue.

Hungary is establishing a system to deal with unemployment. Other nations are beginning to face the issue of resource allocation for labor. Contrary to the general emphasis on reward for general labor, the GDR pays their technical and managerial personnel at a comparatively higher rate. Hungary and Poland are believed to be examining a system for higher rewards for these persons. Some differentiation of incomes may result. Romania reduces wages for its workers if economic goals, that are sometimes unrealistic, are unmet. This system is generally regarded as punitive.

In examining future trends, it was noted that many of the East European countries have large external debts and are under pressure to improve economic performance by the International Monetary Fund and western creditors. This is thought to be forcing some reform and will continue to apply pressure for change. Labor unions will continue to criticize controls and economic performance in these countries. Their dialogue may reflect reform issues as they emerge.

SESSION G: "What Will We See Ten Years Hence?"
Chaired by Tadd Linsenmayer, Bureau of International Labor Affairs, U.S. Department of Labor

By the late 1990s, if Gorbachev's policies of perestroika and accompanying social changes continue unabated, we may be able to see greater political and trade union pluralism in the USSR and Eastern Europe. Hungary appears to offer the greatest likelihood of significant political change, the direction of which may be towards a corporatist system incorporating a multiplicity of views. Hungary looks different, as we assess the next decade, because of this systemic flexibility.

Poland, as well, may exhibit some political movement that encompasses trade union entities, but this is far from certain. Jaruzelski will be fearful of autonomous labor organizations and, only in the face of severe socioeconomic pressure, did he acquiesce somewhat by agreeing to talks with Solidarity leaders in late 1988. Solidarity will retain, in the foreseeable future, a trade union function even though its societal role is much broader. The Jaruzelski regime is likely to become increasingly nervous about losing power as socio-economic reform approaches, and may act to restrict pluralism within Polish society.

Western-style collective bargaining is also unlikely to emerge in Eastern Europe and the Soviet Union because of the implicit danger to the regime itself. Ad hoc accommodations with disgruntled labor will happen, but organizational changes should not be expected. An adversarial element, as we see in collective bargaining, is not always necessary for industrial relations; Sweden and Switzerland are two cases exemplifying this point. Perhaps we may see, in the next decade, the rise of more genuine industrial relations without the institutionalized adversarial arrangements of American experience.

Ten years hence, the private sector in the USSR and East European communist states will be much larger, albeit not thriving. It may be politically untenable to have one sector of the economy operating so differently from the state socialism prevailing throughout major industries. The state sector will not provide support to enable the private sector to function optimally, and the condition of the international economy may not be sufficiently healthy to support (through loans and investments) the economic reconstruction of private sectors in these countries.

Both private and socialized sectors of communist states' economies will still suffer, in the late 1990s, from an enormous technology gap. Indeed, the gap may have increased exponentially in the coming decade. Lacking hard currency to buy equipment, these countries cannot use efficiently their human resources to increase productivity. With great effort and sacrifice, they may be able to reduce the rate at which they are falling behind; catching up, however, is out of the question. Through the easing of travel restrictions, greater

contact with Western business practices and technology will be possible. But such contact, even when joint ventures follow, has not proved to be a sure way of attracting technology or money to Eastern Europe and the USSR.

Given that major institutional changes are unlikely and that technological problems will worsen, it follows that perestroika and accompanying social changes will foster incremental changes, not revolutionary developments. Multiparty systems or free trade unions should not be anticipated. Rather, Gorbachev and the new generation of East European leaders will endeavor to fine-tune their systems, correcting the worst problems.

Within this overall vision of the coming decade in communist Europe, specific assessments suggest controlled and cautious changes that retain most of the characteristics present in these systems for the past decades. None of the East European countries, with the possible exception of Yugoslavia, will become significantly involved in labor mobility between East and West; labor movement will continue to be at a fairly insignificant rate since communist regimes will not open their borders to each other or to large groups from other countries. Further, somewhat enlarged possibilities for political expression will not include labor's right to organize freely. Internationally, none of the European communist states will become significant competitors in the international market because of priorities given to military power, because of disincentives to joint ventures (e.g., statutes that diminish profits of Western firms and tie up their investments), and because restructuring thus far is principally theory and rhetoric.

There are, then, no expectations that reform will change the face of communist Europe so much that it will be unrecognizable in 10 years. To the contrary, most observations underscore that the Soviets' primary concern is the maintenance of the superpower status they have gained; they want to avoid economic ruin from changes implemented too suddenly, while simultaneously wanting to avoid the stagnation of the Brezhnev years. After less than four years of Gorbachev's leadership, the Soviets have yet to put into practice the principal components of perestroika, and parts of Eastern Europe (Czechoslovakia, East Germany, and Romania) have yet to undergo even the rhetorical preparation for restructuring. Thus, within the time frame of 10 years, we should anticipate modest transformations that will affect incrementally, but not remake entirely, the context of labor in communist Europe.

RECAP OF PANEL DISCUSSION FOLLOWING SESSION G: "What Will We See Ten Years Hence?"

Will we see meaningful political or trade union pluralism in the USSR?

Assuming Gorbachev's success--

> In Hungary we'll see political change of considerable significance. We'll see a system more reflective of what socialism is "supposed" to be. An institutional setup with no multiparty system, but with visible movement toward a corporatist system and a multiplicity of views. It is the stretching that makes Hungary look different.
>
> In Poland maybe we'll see change. Jaruzelski won't deal with other trade union entities unless the economy sinks very deep. Solidarity is not 100 percent trade union, but it serves the function de facto. As the country advances closer to reform, the regime is likely to get more nervous about losing its power. Then it will act to restrict pluralism.

Are we likely to see Western-style collective bargaining?

No, it comes too close to the regime. There will be ad hoc accommodation, but no organizational change. There doesn't have to be an adversarial element to have industrial relations, e.g., Switzerland, Sweden. Incipient unrest calls for someone to pick up thread.

Will there be an overt social crisis? In Hungary, Kadar will leave. What happens if there is pressure from below? Will the establishment find a way to reduce the problem before it becomes a matter of contention?

Will we see a thriving private sector in the USSR or other countries? as a major factor in their economies?

Much larger, but not thriving: (1) It's not viable politically to allow one sector to have such a different economic situation from others. (2) The state sector will not provide support which would allow the private sector to work well. (3) State of international economy may not be healthy enough to support reconstruction in these countries.

Will these countries be using more advanced technology or will they be far behind and dependent on technological imports?

They are still technologically backward and the gap is increasing exponentially. They have no money to buy equipment. Can they efficiently use human resources to increase productivity? They may be able to reduce the rate at which they are falling behind, but they won't catch up. Travel will be eased, with significant implications. Thus far, joint ventures aren't bringing in much in the way of technology or money.

Will perestroika have resulted in a big difference?

Any change is likely to be incremental. There will be no multi-party system or free trade unions. Mostly there will be a fine-tuning of the worst problems. Gorbachev is a survivor and will pull back in order to preserve the eventual outcome of his programs.

Will there be greater labor mobility within Eastern Europe and between East and West?

Unemployment will be relieved by building infrastructure and increasing mobility. People will move to the West if the West is experiencing labor shortages. Labor movement is going at a fairly insignificant rate: Eastern countries allow people to leave under specific arrangements--to go and return. These countries are not open to each other and are not likely to accept large groups from other countries.

What limits will be placed by governments on workers to keep them from expressing their views?

There will be organizations, by trade. But there will be minimal political freedom--just enough to prevent a crisis.

Will any countries be significant competitors on the international market?

No. Not unless there is an abrupt change at the top. If the top leadership is for some reason paralyzed and Soviets are divided or preoccupied and can't intervene with military power, it's conceivable that power could be attained by someone with radically different ideas. Under such circumstances, the country would keep its Eastern orientation but would radically transform the system.

Will Western joint ventures play a significant role in the economy? Will they exist to a greater extent, and will they deal with the local work force with greater autonomy?

No, local labor laws will tie them up. In the USSR, there is no full participation. Western countries have no real reason to enter into a joint venture--they can't get out profits or investments. The advantage is in the Eastern labor force--cheaper labor with acceptable technical levels.

What role will WFTU (world communist unions) play? Will they play a more significant role?

The Soviets are unhappy with it because it's seen as a front by too many. They will rely on Gorbachev charisma to appeal to the West and will use other means to reach out. They have come to see that bilateral relations are more profitable.

In 10 years, will the winds of change have fanned the flames or snuffed the candle?

Talk will continue, but reform will be minimal. The Soviets are afraid of the collapse of their economy and the subsequent loss of superpower status. They don't intend to return to Brezhnev.

This is not yet reform. This is thinking about it. Reform is when you actually do something.

AFL-CIO policies will not change significantly in the next 10 years, because the nature of changes thus far is primarily cosmetic.

RECAP OF SPEECH GIVEN
BY STEPHEN PURSEY, ICFTU, BRUSSELS
on "Western European Views of Eastern European Reform"

Strategic considerations:
There is a general feeling that Gorbachev's reforms should be pursued vigorously, and would lead to change in USSR domestic politics and in relations with Western Europe.

Signing of the INF treaty was a relief, but it was a deal cut between the US and USSR on European missiles, and Europeans would like to have a broader role in such negotiations.

Western Europeans are left with a number of questions about their defense roles among themselves and in relation to the superpowers. Countries are wondering about the position of NATO, and whether it should be enlarged, and about nuclear deterrence and French command. Further, should the EC play an expanded part even though it includes neutral countries and concentrates on economic issues?

The economic integration plan for 1992--the elimination of trade barriers between the 12 member countries and the EFTA countries (Austria, Sweden, Norway)--will mean a larger political union.

The EC is coming close to reaching a narrow accord with COMECON, which would result in increased contacts between EC and individual East Bloc countries. The premise is that economic cooperation and interdependence would make it much harder to go to war again, but there is a long history of such discussions without significant results.

Karl Marx did an excellent job of analyzing capitalism, but what would he say about today's planned economies?

1. No money--no good currency to measure economy
2. No value for time or interest, but everything takes time
3. Underestimates incentives
4. Overestimates value of self-sufficiency and undervalues international cooperation
5. Anathema to competition--stagnation
6. Overvalues capital vs. labor
7. Productive goods are seen as materials--service sector disregarded.

Conclusion: The likelihood of economic cooperation getting far is minimal.

We should concentrate on seminars and discussions, but shouldn't expect too much else.

There is nervousness that the unrest in Poland may lead to eventual conflict and war in Europe.

Communist parties have been greatly reduced in Western Europe: Spain, France, Italy.

Moscow: Follow TANKIES--those who supported tanks in Hungary
or YUMMIES--young upwardly mobile Marxists.

Tremendous demand for Swedish labor economists to discuss restructuring.

During his address to the ICFTU delegation, Gorbachev commented on the link between disarmament and the need to develop social programs. He was willing to discuss "universal human values," but didn't want to be lectured on human rights.

There is no great incentive for either Eastern or Western businessmen to encourage trade between the blocs. Eastern managers do it because it's decreed. Western managers find the blockages of the Eastern markets frustrating and unrewarding. Also, there is the fear that Eastern Europe will simply provide competition in an already oversensitive market.

"PRINCIPAL ISSUES AFFECTING THE FUTURE OF EAST EUROPEAN LABOR"

Daniel N. Nelson, University of Kentucky

Discussions summarized in the foregoing pages have highlighted the transitions in European communist states that are affecting labor. From among the many socioeconomic and political trends, which are most critical to the future condition of workers in these systems?

First, we can be certain that within the work force itself lie several of the keys to activism of industrial labor. Without unity among workers, there will be little chance of labor's interests being pressed upon party elites. Although seeing activism as dependent on solidarity may sound tautological, it is not. Indeed, the collective efforts of workers are dependent on the extent of their cohesion and supportive ties with other strata in their society. Such solidarity must bridge gaps among workers of different ethnic backgrounds, regions of the country, and skill or pay levels. Further, labor must not be alone. Potential allies among intellectuals must be sought or accepted from among academics, students, ethnic or religious dissidents, etc. The Polish example, with a strong and autonomous Church, cannot be replicated elsewhere, but alternative sources of unity and support can be assembled.

Also among workers themselves, the level of general discontent and the degree of attribution of such discontent to the regime will affect strongly their propensity to oppose the authorities. While wage earners may be disgruntled, it poses no challenge to a communist regime if it (the regime or the system it administers) is not identified as culpable. Commentary during the seminar underscored the multiple causes of worker activism, e.g., of strikes or protest demonstrations. But no single cause can explain why a worker ignores risks to his income, job, or personal safety to walk off the job in a system that does not accept such behavior as legitimate. He or she must have become convinced that, quite literally, there is nothing to lose because the system itself is at the root of workers' problems.

Whether or not workers can adjust to the new ethos of "restructured" state socialism--an ethos of competition and equality of opportunity rather than distributive equality--is also unclear. Anger about trends toward unjustified income inequalities, or a sense of inequity about available opportunities, may help to generate further distance between workers and party, but the "bottom line" remains attribution of such problems to the communist party.

External issues or variables will also help to determine the future of labor in Eastern Europe. Principal among these, obviously, is the course of events in the USSR.

If Soviet leadership is willing and able to extend reform policies beyond "managed change" and the "centralized

decentralization" thus far evident, then both Soviet and East European labor will have wider latitude in which to pursue their interests. Clearly, Gorbachev's fortunes are not the only determinant of how labor fares in the entire region. But he and his policies are certainly an important variable; were perestroika and accompanying social changes to continue and expand, there would be a "green light" and strong example for reformism elsewhere in communist Europe.

Workers' well-being and freedom of association and expression will, finally, be influenced by domestic socioeconomic and political conditions in their own country. Within the societies of communist Europe, cross-cutting cleavages within labor may undermine the collective identity of workers. In multinational states, most notably the USSR, Yugoslavia, and Romania, potent nationalisms can easily overcome the tenuous links of workers in one oblast, republic, or judet who speak one language and practice a certain religion with workers elsewhere whose language and faith are different.

In some societies of the region, the absence of such heterogeneity is reinforced by strong unifying institutions such as a dominant faith. Poland is the obvious example with the Roman Catholic Church binding the nation together in ways no other state in Eastern Europe can replicate. It was the Church that provided Solidarity much of its moral authority and an ancillary network. The fate of Polish labor, both because of the country's homogeneity and the Church, will always have to be posed in different terms than in neighboring communist party states.

Macro economic conditions will affect labor in contradictory ways. Diminished growth rates, inflation, underemployment or unemployment--one or more of these conditions will add to endemic antagonism between the proletariat and the party that allegedly rules in its behalf. Unless, however, workers agree that the party is to blame and attribute their discontent to the state socialist system, deteriorating macro economic conditions can disable labor by causing acrimony to develop between advantaged and disadvantaged segments among workers.

Finally, of course, conditions within each state's political establishment affect the condition of working people. Regimes unfettered by concern about legality and human rights can use coercive techniques against workers who strike, protest, or engage in any organizational activity outside official trade unions. There is ample evidence that communist party regimes from Lenin and Stalin through Jaruzelski and Ceausescu have hesitated little when using lethal force to end industrial actions or autonomous labor unions. Repression is not cost efficient, however, and no economic system can maintain growth for long while martial law (or its equivalent) is in effect.

The central political question, in any case, is not whether or not European communist states will return to overt, Stalinist coercion, but rather whether or not the notion of demokratizatsia (democratization) will be effected only from the

"top-down." If so, then the political environment for labor will change little, and official trade unions will neither evolve very far towards an adversarial role nor will alternative organizations be tolerated. If, however, democratization is allowed to evoke genuine pluralism, then the potential for labor to develop a new relationship with the owners of the means of production--the state--is enhanced.

The entry of a new generation of East European and Soviet leaders after several decades of stagnation at the elite levels will not in and of itself determine the form of political change. Nevertheless, it is clear that the generation of Honecker, Kadar, Ceausescu, Husak, Zhivkov, and Brezhnev could not be innovators in the 1980s. This inability was based not on age and infirmity as much as history; they could not attack their own political pasts. A generational transition, from long-time cadres whose political careers originated in World War II and earlier to a truly post-war cohort, does not guarantee a more open future for labor, but it makes movement possible.

Given these variables and discussions in the course of the U.S. Department of Labor Seminar on East European Labor, how may we assess the prospects for workers and labor organizations in communist Europe during the coming decade?

"ASSESSMENTS: EAST EUROPEAN LABOR IN THE COMING DECADE"
Daniel N. Nelson, University of Kentucky

Will labor explode into a massive crisis centered around protests against unemployment and layoffs brought on by restructuring? Ought we expect a catastrophic upheaval in Eastern Europe and the USSR, the origins of which would be industrial workers?

The choice is not as stark, nor the future as certain, as these questions imply. Rather, the role of trade unions and the place of labor in states ruled by communist parties are functions of the role of the party. An arduous and complex reassessment of the party's place, and of its leading role, is now happening in communist Europe. In Hungary, we have witnessed the slow emergence of an awareness within the HSWP that it cannot restrain reform and expect reform to work--that the party must back away from its economic interventionism. In Yugoslavia, where republican parties have supplanted a national party, Slovenia has launched political changes that are generating unprecedented pluralism. In Poland, the PUWP's role is continually challenged from society at large; from within, the Kubiak Report and other internal studies document the party's failings throughout the communist period, and particularly the 1970s. Nowhere in the region does the ruling party possess sufficient moral authority or legitimacy derived from systemic performance, leadership charisma, or any other source. And, in the USSR, the operative codes of communist party rule--the nomenklatura and the principle of democratic centralism--are being questioned as never before.

This dynamic, as it affects labor, will not mean the advent of a civil society free from intervention by the party apparatus. That the party's leading role is under duress does not translate directly into independent labor organizations, the pursuit of labor's interests through adversarial encounters with the state, or anything of such consequence. Workers are not sufficiently unified, and are divided by nationalities, age, skill levels, and other factors. Workers are not prepared, generally, to engage in self-government at the enterprise level; their skills and levels of awareness for such tasks are often wanting. Further, of course, Gorbachev and other leaders in Eastern Europe will, notwithstanding their posture as reformers, fight to maintain a party-dominated political system. Pluralism will not be allowed, willingly at least, to creep very far into societies ruled by communist parties. The exceptions to such a statement are readily apparent: Poland, where Solidarity and the Church offer expressions of opposition to government policies, and Yugoslavia, where socioeconomic and nationality distinctions ensure a diversity of views. Pluralism must be socialist in nature, which thus confines pluralism to a small part of the spectrum of political views.

Even with these obstacles to unimpeded development of plural societies, adversarial relations between workers and party will continue to emerge. This incremental process will occur first

at the enterprise and local level, and widen thereafter, sometimes forcing the regime into accommodations that would have been unthinkable in past decades, and sometimes yielding structural modifications or expanded tolerance of new channels for labor organizations (e.g., the nascent independent trade union movements in Slovenia and Hungary).

East European and Soviet communist regimes, in other words, will no longer be able to confine labor as they have in the past. Labor organizations, whether through alterations of existing trade unions or the birth of new autonomous entities, will no longer be merely Leninist transmission belts and blunt tools of the regime.

The rate and extent of such change are country-specific, but the process is similar. Regimes and labor will have a more conflictual relationship in the future--not explosive, yet creating substantial dilemmas for communist party governments. To ignore interests of labor while pressing ahead with restructuring will continue the alienation of vital human resources and risk costly strikes and protests. To tolerate expressions of discontent while beginning to engage labor in negotiations via adversarial procedures in a more plural environment involves sacrificing the party's political dominance, more than the top-down restructuring process implies alone.

There is, in all of this, great uncertainty. Yet, the East Europeans and Soviets are more unsure than we who watch them of the outcome of processes now begun. Labor is caught in the "winds of change" and is one part of the causes producing those "winds"; workers in Communist Europe want change, but they are not convinced they like the kind of change being orchestrated by regimes that distrust pluralism.

What is, then, certain about labor in Eastern Europe and the USSR during the 1990s and beyond? Industrial labor and wage earners generally will not be "given" an autonomous, legitimate voice in public affairs by ruling communist parties. Instead, pressure for change from below to move beyond systemic adjustments and centralized decentralization will, in a few cases--parts of Yugoslavia, Hungary and Poland--mean that independent labor will be heard and will have an effect on public policy. With equal certainty, people at the top of Communist regimes will engage in preemptive changes to retain control without fundamental, systemic change. This is a conclusion that envisions further conflict in the societies of Eastern Europe and the Soviet Union while calling implicitly for our further attention and study.

APPENDIX A

SOVIET ECONOMIC REFORM AND ITS IMPLICATIONS FOR EASTERN EUROPE

Keynote Speech by Anders Aslund
Kennan Institute for Advanced Russian Studies

At this stage, it should be clear to everyone that something big is going on in the Soviet Union. The slogans perestroika, radical economic reform, glasnost, and democratization can no longer be discarded as more propaganda. Serious changes have been attempted. It is another question whether they will be fully implemented. A multitude of new issues have been brought into the open, a considerable number of decisions have been taken, but so far little has changed in real life. In order to give an overview, I shall deal briefly with four major questions: Why did the reform movement start? What are the conditions for success? What are the greatest threats to the perestroika? What are the plausible implications for Eastern Europe?

1. Why Did the Reform Movement Start?

Three months before Mikhail Gorbachev became General Secretary of the CPSU, he delivered a major programmatic speech (10 December 1984). In this speech, we find many of his later key demands: "deep transformations of the economy and the whole system of social relations", "perestroika of economic management", "self-management", "self-government", "revolutionary decisions", "democratisation", "glasnost", and "competition". It is worth underlining that Gorbachev had spelled out a very radical agenda before he became General Secretary. In this speech, one sentence stands out as an explanation of why perestroika was necessary:

> Only an intensive, highly-developed economy can ascertain a reinforcement of the position of our country on the international stage and allow it to enter the new millennium with dignity as a great and flourishing power.

To Gorbachev the prime issue seems to have been the superpower status of the USSR, but in the very long term, and not in the short term. The problem was apparently that the Soviet relative military strength had declined in the 1980s. There were two causes. The external cause was the American arms buildup under President Reagan, and the internal reason was the weakness of the Soviet economy that made it arduous for the Soviet Union to keep up in the arms race. For Soviets of insight, it appeared necessary to make the economy much more efficient in order to be able to compete with the USA in the long run. Both Gorbachev and his reform program appear unlikely without Ronald Reagan and his armament program. There was no domestic political pressure worth mentioning. On the contrary, the population had become utterly pacified.

2. What Are the Conditions of Success?

Each attempt at economic reform in a communist country tells us something more about how difficult it is to reform a command economy. A large number of conditions need to be fulfilled if a reform is to succeed. Some of the most important conditions will be discussed here, but the list is not complete.

The most important condition is the commitment of the political leadership. A basic flaw of the Kosygin reform was that it was not a Brezhnev reform. Gorbachev's commitment to radical economic reform can hardly be doubted any longer. However, of 13 full members of the Politburo, only three, Gorbachev, Central Committee (CC) Secretary Alexander Yakovlev and Eduard Shevardnadze, appear to be committed to reform. The Politburo is split in a number of factions. Prime Minister Nikolai Ryzhkov, CC Secretary Nikolai Slyunkov, and Gosplan Chairman Yuri Maslyukov form a tightly-knit group of former Gosplan-technocrats, who realize that some marketization is necessary, but they do not want to give up the preponderance of Gosplan. Gorbachev needs to compromise with this group. A third group, which includes CC Secretary Lev Zaikov and Leningrad party secretary Yuri Solovyev, favors a streamlining of the old system as in the German Democratic Republic and defends the interests of the military. A fourth group of Russian nationalists around Second Secretary Yegor Ligachev calls for socialist morality. They focus on the moral crisis rather than the economic crisis. Ligachev stands for a neo-Stalinist program, without Stalin, of reinforced discipline and isolation. Finally, we have old Brezhnevites, such as the Ukrainian Party Secretary Vladimir Shcherbitskiy and CC Secretary Vladimir Dolgikh, who may be labeled conservatives. Also the CC Secretary for Agriculture, Viktor Nikonov, appears to be a conservative. They want to muddle through as few changes as possible. Besides, there are several leading politicians with no clear profile on economic issues. It is difficult to see what radical changes these men can agree upon. In particular, Gorbachev and Ligachev appear to strive in opposite directions. The reform attempts can hardly be perceived as convincing before there is a showdown, causing an ouster of almost half of the Politburo members who appear conservative or reactionary. Two views are untenable with our present evidence. One is Alain Besancon's view that Gorbachev is just trying to reinforce his power and is toying with reformist ideas because they give him reasons to oust personal adversaries. Another is Jerry Hough's view that Gorbachev has already consolidated his hold on power. In essence, both the State Department and the CIA thought that Gorbachev had consolidated his power in June 1987, bringing "three close associates" to the Politburo, of whom only one was a Gorbachev man. In that case, the Yeltsin affair and the long letter in Sovetskaya Rossiya against reform (on 13 March 1988) had not been possible. To my mind, the strife in the leadership is reminiscent of 1956, and we are waiting for June 1957.

A second condition is that the economic problems are sufficiently severe, so that there is no possible substitute for economic reform. An economic reform inevitably means that

politicians have to sacrifice power and control, which they do not want to if they can avoid it. In the early 1970s, we saw how western credits and machinery replaced halfhearted attempts at reform, especially in Poland. Today, no easy solution seems to be within reach. Whatever CIA statistics say, it is obvious that the Soviet Union has a reasonably well developed third world economy, and only the military might of a superpower. Furthermore, the national income has not grown since 1978.

Thirdly, ideological restrictions must be sufficiently relaxed. In principle, this revision has already gone very far in the authoritative Soviet debate. The leading economists are now talking about a mixed market economy, with a large self-managed cooperative sector rather than a capitalist sector. Ideological restrictions no longer appear prohibitive, and a further relaxation is to be expected.

Fourthly, the country must have sufficiently good economists who can design a reform model. This is hardly true. Soviet economics is in a very poor state. Reform proposals look like parts of a trial and error process. Yet, Soviet economists acknowledge their shortcomings and increasingly look abroad for assistance. They have one good resource to tap, namely Hungarian economists. While top-level economic advice may quickly improve in quality, the paucity of economics at lower levels might cause a more serious problem in the long term.

A fifth condition is an excellent design of the reform. So far it is not even good, and it is likely to improve. The draft Law on Cooperatives published in March 1988 marks a new beginning as it is a much more consistent and market-oriented piece of legislation than anything we have seen before. However, the crucial issue of price reform seems to invite Soviet officials to ever more contradictory statements. Even if a better design is in the offing, it is likely to take some time until it appears, and the loss of time may be costly for the reformers. At present, it appears ever more doubtful that there is any model of a socialist economy that offers reasonable efficiency in the modern world, though the ideological revision might go further than we can yet anticipate.

Sixthly, the implementation of the reform must be reasonably consistent. Given the intensity of vested interests and bureaucratic infighting in the Soviet Union, any consistency appears unthinkable. The implementation will inevitably be a prolonged, uphill struggle.

Finally, it is vital to break the back of the anti-reform bureaucracy that has been perceived as almighty by many observers. Gorbachev has launched a broad offensive against the state administration of 18 million people. The central ministries are to have their staff cut by half. Gradually, one ministry after the other is merged or abolished. Yet, it is a slow process. One of the most vocal reformers, Boris Kurashvili, has called for the merger of all the approximately 60 branch ministries into one at the same time as their staff is reduced by 90 per cent, but this is only at the level of discussion. In contrast to the narrowly economic reform

attempts in the 1960s, democratization has become a major plank of Gorbachev's reform program, and the leading Soviet reformers clearly perceive that they will not be able to break the resistance of the bureaucracy without palpable popular pressure from below. This is not to say that they favor democracy in a western sense, but a considerable degree of popular influence. The overwhelming power of the bureaucracy or nomenklatura is the main reason for the common suggestion that it is hardly possible to reform a Soviet-type state.

Thus, the conditions for the success of economic reform are many and difficult. However well Gorbachev does, it will take several years before he can even be sure of being on the right road. Main issues to follow are changes in the political leadership and to what extent the bureaucracy is dismantled.

3. What Are the Greatest Threats to Perestroika?

While stating the conditions for the success of economic reform, we have partly outlined the threats to perestroika as well, but only partly. Whatever is poorly done may harm the reform. We shall concentrate on five major hurdles.

First, about half of the present Politburo members do not seem to be in favor of reform, to judge from their published speeches. As long as they are not ousted, they pose a permanent threat to all kinds of reform. Each of the anti-reform leaders has a large number of followers, who also need to be sorted out. A typical consequence of this high-level resistance is the virtually abortive agricultural reform launched in the spring of 1986, which does not appear to have enjoyed the support of the CC Secretary for Agriculture Viktor Nikonov or Yegor Ligachev to judge from their speeches. Therefore, it would have been surprising if the changes had been implemented.

Secondly, we must emphasize the bureaucratic resistance again. Time and time again, a reader of Soviet newspapers is amazed how daring Soviet bureaucrats are in their resistance against any change. I am in no doubt that everyone here knows that the Soviet leadership pursues a ruthless campaign against drinking. However, in July 1987 readers of Soviet newspapers could notice that the production of cognac had increased by 70 percent during the first half of 1987. Nothing could be more clear than that this ran contrary to proclaimed government policy. On 31 October 1987, "Pravda" published a resolution of the CC Party Control Committee, reprimanding two deputy chairmen of Gosplan and two deputy chairmen of the State Committee on the Agroindustrial Complex for having planned an increase in the production of cognac of 46 per cent for 1987. One would have thought that the party could communicate with such senior officials on the phone rather than on the pages of "Pravda". The bureaucrats can also do harm by doing nothing. A lesson from Poland in 1980-81 is that when important changes take place, ministerial officials stop working and concentrate on personal intrigues. Then the economy grinds to a halt since enterprises are stalemated without necessary authorizations and supplies. The Soviet economy may very well be entering such a

bureaucratic stalemate for a couple of years.

A third threat is the possibility of serious labor unrest. There seems to be a couple of major strikes each year in the Soviet Union. Until recently, news spread long after the event and aroused little media interest. A recent big strike that was not reported in the West occurred in the Donbass coalfields in the Ukraine in August 1986. The issues of strikes have been: extraordinary food shortages, tacit price increases on food, or wage cuts. Typically, strikes have erupted at large enterprises in secondary industrial centers, that is, not in Moscow, Leningrad and Kiev, but in Gorky, Togliatti, Chelyabinak, Magnitogorsk, Lipetsk, and Donetsk. The pattern is reminiscent of Poland. Several of these cities are closed to foreigners, as they are centers of armaments industry. Previously, the unrest has been contained; the leaders have been punished; and something has been done about the material demands raised. With the present flow of news, it will be much more difficult to contain the news about unrest; the authorities might be more refrained in their usage of violence; and there are few resources with which to satisfy strikers. The reform strategy may be described as an onslaught on the working class, offering lower wages to many blue-collar workers (but higher for white-collar workers); reduced job security; no increase in consumption for the last decade or so with faltering agriculture and declining imports of consumer goods in the last years; and tacit price increases on meat as more and more is sold at so-called cooperative prices which are two to three times higher than official state prices. This would not be a vote-winning program in a democracy, and if workers gain a voice in Soviet politics, their discontent will matter.

Recently we have seen a telling display of a fourth threat, national unrest, as occurred around the Nagorny Karabakh issue between Armenians and Azerbaijanis. Will the Soviet Union be able to transcend from a colonial or imperial nationality policy, with repression as one of its main components, to a democratic ethnic policy as in India? The temptation must be great for Russian nationalists and conservatives to put an end to this messy feature of democratization.

A fifth threat to reform is unrest in Eastern Europe. The invasion of Czechoslovakia in 1968 dealt a decisive blow to the Soviet domestic economic reforms of 1965. After Gorbachev's renunciation of the Brezhnev doctrine in Yugoslavia, many East Europeans are likely to pose the basic question: Why should we accept this economically, politically, and socially backward system any longer? And why should we accept Soviet supremacy over our affairs? What can the Soviet leadership answer?

4. <u>What are the Implications for Eastern Europe</u>?

We shall focus on three aspects of Soviet-East European relations: the leaders' personal relations, general political outlook, and economic links.

A legacy from Stalin is that East European leaders are personal clients of the ruler in Moscow. Only Jaruzelski has been

posturing as a Gorbachev protege, while the new Czechoslovak General Secretary Milos Jakes had probably seen Gorbachev more than any other leading Czech or Slovak politician when he was elected. The other East European leaders appear to have cool personal relations with Gorbachev--a situation that is not likely to last.

In many ways, Gorbachev's faction appears to be trying to copy the Hungarian reforms, although his aides do not like admitting that. Poland is in many ways attempting to do the same. These three countries form a reformist group. Bulgaria follows suit, always trying to follow the Soviet example, while General Secretary Todor Zhivkov maintains firm personal control. Czechoslovakia appears to attempt an economic reform without democratization, not knowing where to turn. In the GDR, a unified leadership rejects both Gorbachev and his program and seem to get away with it. Romania is really a personal dictatorship outside the context, where the sole issue seems to be when Ceausescu will die.

It is difficult to believe that any serious trouble will occur in the GDR or Bulgaria. Little has changed there. The dictatorships remain intact, and the economic development is not too bad. Poland and Hungary have, on the one hand, become so liberal that public pressures are of great political importance.

On the other hand, political power has not really been devolved, and the economic reforms have been too halfhearted to be convincing. As political repression is further reduced, while the economic situation deteriorates, one would expect public unrest and/or much more radical economic and political reforms. To the Poles and Hungarians a major question is timing: When is pressure for democratization likely to be most effective? If the outcome is more unrest than creative reform, the problems in Hungary and Poland are likely to have a negative effect on the reform process in the Soviet Union, which in turn will hamper the reforms in Hungary and Poland. The present labor unrest in Poland appears reminiscent of July 1980 and should not be discarded lightly. The current choice of policies in Czechoslovakia appears uncommonly contradictory. Hesitancy and strife in a communist leadership easily breed popular unrest. The transition to a new leadership has hardly been completed, and it is difficult to predict what turn Czechoslovak developments will take, as well as what effect they will have on the Soviet Union. Yet, in any case they are likely to make a difference.

The apparent political liberalization towards Eastern Europe is to a considerable extent contradicted by the new Soviet economic policy towards the region. This policy change has been under way for a long time. The Moscow summit of the CMEA in June 1984--under Konstantin Chernenko--was an important harbinger. The first concrete result was the adoption in December 1985 of the Complex Program for the Scientific-Technical Progress of the CMEA Member-States until the Year 2000. Its main purpose appears to be to integrate high-tech industry in Eastern Europe more deeply with Soviet industry.

The means suggested at that stage were entirely administrative and organizational. The Soviets want to avoid going through the government structure of neighboring states by establishing joint ventures and direct contacts between Soviet and East European enterprises. The East Europeans fear a new reduction of their sovereignty, but feel forced to go along. The CMEA summit in Moscow in November 1986 reintroduced economic reform on the CMEA agenda. The present Soviet aim is to make the ruble convertible in relation to CMEA countries, pushing both for more economic integration within the block and more market-oriented financial arrangements. So far, the Soviets do not seem to have very clear ideas of how to proceed, but their desire for change appears impressive.

Whatever happens, the Soviet reforms are likely to have a great impact on Eastern Europe. Four East European leaders are both old and out of favor in Moscow, so they are likely to disappear within the next few years. The Soviets have built up a pressure for economic and political reform. While they seem to be clear about the direction of their reform, it is difficult to see how far they will go. At the same time as the present Soviet liberalization is likely to destabilize Eastern Europe, the Soviets have no economic benefits to offer and their military threat is played down. Unrest appears inevitable, and the questions we should pose are: Where is it likely to be most intense? What issues will dominate? What will the effects be? The last three years have been relatively quiet in Eastern Europe. The next three years are likely to become all the more interesting.

APPENDIX B

ATTITUDES AND BEHAVIOR OF THE WORK FORCE IN COMMUNIST EUROPE

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INTRODUCTION

Ruling communist parties speak of themselves as workers' parties. Among European communist states, however, the ruling parties are not seen by labor in any sector of the economy--especially not within industrial labor--as embodying their interests. The consequences of such attitudinal alienation are profound for the well-being of workers, the viability of official labor organizations, the productivity of labor, and the legitimacy of the regime itself.

In this essay, my goals are twofold: First, I will describe prevalent workers' attitudes in communist Europe, as well as their behaviors that reflect underlying disaffection. A second, and more important goal, is explanatory in nature. Why do all European communist states exhibit some of the same patterns of labor alienation? What can account for the disaffection of workers in communist states?

WORKERS' ATTITUDES TOWARD JOB AND REGIME

That pervasive dissatisfaction exists among workers in Eastern Europe and the USSR has become evident in the 1970s and 1980s. The sources of discontent and the means by which it is expressed vary somewhat from country to country, but there is no doubt that communist party governments have not secured an intimacy with the "proletariat". Through officially-sanctioned channels, some survey research has been conducted over the years in which workers have had a chance to express their concerns. Even in the USSR prior to Gorbachev, opinions of Soviet workers were sought through sociological research. (Current Digest of the Soviet Press, 1979). While there are severe limits on the breadth of opinion data, making national random samples rare or nonexistent and omitting some highly contentious issues, there is reason to accept these studies as credible regarding general trends and comparisons between countries.

Not surprisingly, one of the issues that troubles the East European and Soviet work force is pay. Measurements of dissatisfaction with pay are available for most communist states, and it is evident that the degree to which wages are perceived as inadequate has been high across countries and over time. The adequacy of wages paid to Polish and Romanian workers during the early 1970s, for example, was clearly doubted by the workers themselves. Only 23 percent of skilled, semiskilled, and unskilled workers in three large Polish cities found wages "suitable" 15 years ago (Makarczk, 1975), and another survey replicated those findings (Szafnicki, 1973). In Romania, a plurality in each age group, and 58 percent of those

40-49 years of age were unhappy with their pay in one survey during the mid-1970s. (Sirbu, 1977:37). Similarly, interviewers of over 500 Hungarian workers in three major plants asked what working conditions the subjects valued "most highly". High wages and job security were the conditions of employment mentioned most often (98 percent and 96 percent of the respondents, respectively), while obtaining more skills, education and promotion were considerably less important. Interestingly, however, only 50 percent of the workers thought that their own jobs were, in fact, characterized by "high wages"--i.e., a "difference" of 48 percent between expectations and assessments of current conditions. (Hethy and Mako cited in Blumstock, 1981).

Workers' dissatisfaction, however, is not a function of remuneration per se. Gradations of income are present, but appear small by the standards of Western capitalism--a ratio of 3:1, for example, between the wages of a factory's quality control director and an employee on the assembly line. Scholars have found, generally, that income inequalities in communist states have been less egregious than in other industrially developed countries. (Echols, 1981). East European workers are cognizant that their material existence is not on par with labor in EC states, but this East-West comparison remains less critical than intra-societal assessments.

In the Soviet case, there is ample evidence to infer that the absence of interesting and creative work, minimal opportunities for advancement, distasteful or unhealthy working conditions, the lack of housing and child care, and transportation problems all added to workers' unhappiness. (Holubenko, 1975; Ivanova, 1977; Aitov in Yanowitch, 1979).

Yet, the core of labor's dissatisfaction in communist Europe has much less to do with wages, the nature of the work itself, or benefits and amenities than with the feeling of being deprived more than other strata of society. This failure of communist party governments to ensure equity challenges workers' sense of social justice. It is inequity, not a lack of absolute equality, that affronts workers' sensibilities; and, its absence in regimes committed rhetorically to the interests of labor pushes workers away from the communist party. Unrest among workers in Poland, for example, does not follow from a commitment to egalitarianism, support for which has declined since 1980 in that country. (Gorajowska, 1985; Polacy '84: 655). Rather it is derived from a sense of being dealt with unjustly, without dignity, by the political elite. Few circumstances motivate discontent more than being called upon to defer realization of material or other values when there is not equal sharing in the sacrifice, and particularly when the beneficiaries (the ruling party elite) have been on record as ideologically favoring equalization of the distribution of wealth. One can see dramatic consequences of such a sense of being dealt with unjustly among Yugoslav workers who, justifiably, perceive their lives as a "struggle for existence and for material and social security", feel their goals in life remain largely unfulfilled, and think that the "enrichment of

individuals at the expense of others" is a principal weakness in Yugoslavia. (Popovic). These data have been replicated in all the Yugoslav republics, and it is clear that the level of mistrust among occupational strata is rising.

To see such inequity requires looking beyond salary to the arena of privilege and access. Party membership in the factory unlocks some doors for some workers, but it is the upper reaches of party elites and local levels that have privileged access to superior housing, goods and services which is worth far more than salary increments. (See Matthews, 1978; Nelson, 1980). In an environment of state socialism, with its emphasis on extensive growth that has fostered full employment while restricting labor mobility and generating pressures on workers for higher productivity, signs of such distributive inequity will be particularly galling.

Workers' alienation is apparent in many attitudes, but also in their behavior on the job. Indeed, labor has a variety of behavioral options available through which to express dissatisfaction. (Pravda, 1979). One obvious action is purposeful inaction--to exhibit disregard for job, surroundings, and official efforts to mobilize workers. Hungarian workers at a major Budapest enterprise (the Ikarus Bus Factory), for example, have been found largely to be indifferent to the "quality of their work performance"; indeed, "...most workers do no more than the absolute minimum, in order to conserve their energies for more lucrative private sector activities...." (Blumstock, 1981 citing Foldvari and Zsille). Such alienated indifference to their environment appears among Romanian workers in ways ranging from petty theft to "hooliganism" and interpersonal violence. (Nelson, 1981:46).

Behaviors that express distaste for the system more overtly include labor turnover, labor discipline violations, and collective behavior that includes strikes. (Pravda, 1979).

Discontent is, perhaps, most evident in data on labor turnover, often referred to in Eastern Europe and the USSR as work force "instability" or "fluctuation". In the USSR, such turnover had reached epidemic proportions by the 1970s such that most non-managerial employees in some factories were new every year. (Powell, 1977). Similarly, in one of Romania's 40 counties, 39 percent of workers who were satisfied with their job nevertheless wanted to change their place of work. This survey found that almost half of that county's work force had already changed place of work at least once (and half of those had moved more frequently). (Cresin, 1973:27). The problem of labor turnover in Poland had, likewise, reached extreme levels by the 1970s such that studies about labor stability had begun to point to the long-term dangers of such de facto discontent. (Balicki, 1975). In Bulgaria there have been reports that, in the machine building industry where younger, less educated workers predominate, 56 percent of the workers changed jobs per annum during a typical year. (Bulgarski Profusuuzi, 1975: 11-14). Between 700,000 and 800,000 people change jobs every year in Hungary (Magyar Hirlap, 15 October 1987 cited in RFE, Situation Report, Hungary, 2/88: 23)--about 15 percent of all

employed persons. In some industries, however, the proportion is much higher.

In the USSR, a 1979 study of a farm machinery production plant in Novosibirsk found that 70 percent of the positions had been occupied by two or more people within one year, and the most highly educated and experienced workers accounted for most of the turnover. (Kuznetsov, 1979). Earlier, between 1966-70, the Bratsk Hydro-Electric Station construction suffered a 50 percent turnover (half the number that arrived to work at the site departed), of whom a plurality cited inadequate housing and child care facilities as the cause. (Ruble, 1981:16).

Strikes in Eastern Europe and the USSR have not been uncommon. In the USSR, prior to Gorbachev, there had been persistent reports of protests, attempts to form unauthorized trade unions, and the arrest of dissident workers. (Barton, 1979; New York Times, Feb 28, 1978; RL 4/7/78). One of the larger strikes during the Brezhnev period was in 1980 at the Togliatti automobile assembly plant. (New York Times, 1980). More recently, in December 1987, workers at the Yaroslavl motor works walked out for a week, primarily to protest the lack of workplace democracy and consultation--specifically over the issue of how many working Saturdays would be scheduled for 1988. In the Yaroslavl case, the Gorbachev regime used it as an example of the need for perestroika and for social and economic activism among workers; indeed, the outcome included fines levied against the enterprise management. (Radio Liberty 77/78, 1988).

Cases such as Romania appear to exhibit only sporadic outbursts of labor activism--most notably in 1977, when strikes occurred in the Jiu Valley mining region, and in November 1987 when the city of Brasov was engulfed by demonstrations by workers from the Red Flag Truck Factory. Worker discontent in Romania, however, is constrained by the weight of secret police repression, and the sheer socioeconomic underdevelopment of the country. There are many indicators that suggest widespread dissatisfaction that affects workplace discipline, quality control, productivity, absenteeism, and other behavior.

In Poland, of course, recent major strikes have reminded observers that labor's disaffection from the regime has not dissipated under Wojciech Jaruzelski. Beginning in the steel mill at Nowa Huta (near Krakow), with supportive work stoppages at the Lenin Shipyard in Gdansk, the Ursus Tractor Factory near Warsaw and elsewhere, these strikes have demonstrated that workers demands are not merely economic in origin or focus. Obviously, price increases in February were but a catalyst; the causes are 40 years old. Lech Walesa had stated forcefully that Solidarity would rekindle its struggles with the Jaruzelski regime soon in a February 21, 1988, interview in the Italian communist newspaper, L'Unita. In that interview, Walesa outlined his political objectives for pluralism--a far cry from the very narrow issue of working Saturdays in recent Soviet strikes.

Yugoslavs have been accustomed to strikes for years. In 1987,

however, work stoppages continued to increase in number, size, and duration--1,570 strikes, involving 365,000 workers, lasting an average (median) of 5 days. The number of strikes and workers involved have increased many fold since the early 1980s, and more than doubled in just one year (1986 vs. 1987). (Vecernji List, 1988). Workers, moreover, have begun to make explicitly political demands, with nascent discussions about the formation of a new political party. (RFE, Situation Report, Yugoslavia, 1988).

Ranging from attitudinal disaffection to labor turnover, strikes about enterprise-level issues, and (in Poland and Yugoslavia, at least) strikes that challenge the nature of the political system, labor discontent is thus readily apparent in Eastern Europe and the USSR. The degree and the politicized quality of such discontent varies, but the processes of worker-party conflict are occurring along the same continuum.

Who, however, are the dissatisfied among workers in communist Europe? There is, of course, one stratum of disaffected workers who tend to be young, unskilled, or semi-skilled. In the USSR, these people do change jobs frequently, and often exhibit negative behaviors such as poor workplace discipline and alcoholism (Pravda, 1980; see also Aitov in Yanowitch: 39-45). In Bulgaria as well, industries where semi-skilled or unskilled workers under 30 are concentrated, labor discipline is most uncertain. (Welsh, 1981:165).

A second category within those who change place of employment is quite different. Younger workers who are more highly educated (usually complete secondary school) and experienced were most likely to change the place of work in the USSR and Romania (Kuznetsov, 1979; Nelson, 1981). Part of this turnover can be attributed to the transfer of well trained people elsewhere, but certainly not all turnover can be accounted for in such a manner. Indeed, one may suspect that this group changes the place of employment frequently because of personal aspirations that they see blocked within a particular enterprise or locale.

Discontent can also be shown by not involving oneself in actions or organizations that, symbolically at least, imply support for the regime and its policies. Thus, at a Warsaw party committee session in 1984, it was revealed that over 70 percent of workers surveyed in the capital were not interested in becoming involved with any official organization inside or outside the factories. (RFE, Situation Report, Poland, 1985). Further, a survey in 1984 revealed that, among workers who had joined the official post-Solidarity trade unions, only 37 percent expressed confidence in them (Zwiazkowiec, 1985).

In other parts of Eastern Europe, the same distancing from regime-sponsored labor organizations and from public life in general, has been longstanding. The means of expressing discontent is evident in workers' lack of awareness and information about official trade unions, disinterest in the agendas of workers' councils, and recognition that both kinds of organizations are operated by the same group of older, more

politically-secure party cadre. Regime-sanctioned trade unions, the leadership of workers' councils in enterprises, and the communist party organization within the factory are seen as a "clique in league with management". (Pravda, 1981: 57). Because of such views, workers reject the thought of involving themselves in psuedo-governance at the enterprise, and consequently evince little concern about learning their enterprises' operations. (Nelson, 1982).

EXPLAINING WORKERS' ALIENATION IN COMMUNIST SYSTEMS

The ways in which workers' dissatisfaction is expressed in communist Europe, both in attitudinal and behavioral dimensions, are not self-explanatory. That labor is unhappy about pay does not, for example, explain why they attribute such a grievance to the communist party regime. Further, the presence of substantial labor turnover or strike activity in the industrial sectors of Soviet and East European economies cannot be explained simply as a consequence of low pay or bad conditions in such industries; often, in fact, enterprises where the work force is unstable or where there has been a history of work stoppages offer higher than average remuneration. (Wall Street Journal, 1987). Complicating the explanatory picture even more are the evident contrasts between a relatively quiescent labor force (e.g., Bulgaria, Czechoslovakia and the GDR) vs. Poland, Yugoslavia, and increasingly, Hungary and Romania. In each state, moreover, the degree of unrest arising from the work force has varied considerably over time. For example, the widespread antagonism towards the authorities in East German factories of the early to mid-1950s is far less evident today. Similarly, in Hungary of the 1970s, one found a rather placid labor environment which certainly no longer exists.

These complexities underscore the need to avoid the assumption that "blue collar" workers are irrevocably hostile to socialism or to communist party regimes. There has, instead, been greater or lesser degrees of acceptance of communist rule and party policies. We cannot assume, in other words, that workers will always oppose ruling communist parties--but we can most assuredly see that the relationship between labor and the party will be troubled by similar difficulties that will be "managed" better in some cases than in others.

There are two core issues, in my view, that have caused conflict between workers and communist regimes--involvement and security. Involvement means, in this context, the inclusion of labor as a legitimate, autonomous participant in public affairs. As suggested earlier, attitudinal and behavioral manifestations of workers' unhappiness do not explain themselves; that industrial labor in Eastern Europe and the USSR find pay to be inadequate does not necessarily mean that more pay would resolve the issue. Indeed, workers' chief complaint is that they have no legitimate, autonomous voice with which to be involved in the system to pursue their interests.

Without broader sociopolitical involvement, job satisfaction

has been tenuous in communist Europe. As Charles Lindbloom argued in his Politics and Markets (1977), labor's participation in the nation's affairs is a "moral incentive" to remain quiescent. The substance of such participation is always a matter of keen debate, but there is little doubt that being coerced, pressured, i.e., "mobilized" for involvement in public affairs does little to ensure positive sentiments among workers. Likewise, deception used by those in power, e.g., false promises, to produce involvement in labor or other mass organizations, state organs, or the party itself will, when discovered, foster highly negative sentiments of betrayal.

Yet, it has been an admixture of coercion and deception that has characterized the relationship between workers and party in communist Europe. The coercive elements which inhere in Leninist parties' relationship with workers include the statutory denial of alternative labor organizations, severe limits on legal options for industrial action, and the withholding of certain benefits (transportation, day-care, holiday opportunities, etc.) if individuals do not submit to a party-sponsored trade union. The dismissal and incarceration of recalcitrant workers have been employed as well, and there has been little hesitancy in using force to break strikes. Both preemptive and punitive forms of coercion are thus applied.

Deception, however, is as much a part of ruling communist parties' efforts to guide and limit the involvement of workers to forms consistent with Marxism-Leninism. The kinds of deception have varied widely, but have shared one trait--the assertion that present sacrifices were a transient necessity for future gain. This delayed gratification most often has been offered under the guise of equitable, if not wholly equal, sharing of costs associated with "socialist development". Part of the party's duplicity was the effort to declare, in the 1960s, that "developed socialism" (razvitii sotsializm) had been achieved in the USSR, a claim soon parroted elsewhere in Eastern Europe.

Assuring that economic growth, distributive equality and social equity had been achieved for perpetuity, developed socialism implied an advanced stage in the building of communism. Most important for labor, developed socialism implied a passage from a dictatorship of the proletariat into a socialist democracy wherein all working people would participate in economic and political decision-making.

Ruling communist parties suggested, rhetorically at least, that they had entered an evolutionary stage envisaged by Lenin when he spoke of a "control and accounting" role for workers, where labor was fully integrated into the organization and management of production. Lenin did not, however, have in mind that workers would have authority in the policy--a distinctly Marxist idea. Instead, Lenin's Bolsheviks, and Leninist parties of European communist states, have sought to insulate a ruling elite from mass participation.

Developed socialism, therefore, was an effort to forestall destabilizing change in communist states by instituting a kind

of Leninist corporatism. (Bunce and Echols, 1980). Soviet leaders, and their East European counterparts, tried to co-opt workers into the Party, into local soviets or people's councils, and into pseudo self-management structures during the 1960s and 1970s because their alternative--unacceptable to the generation of Brezhnev, Gierek, Ulbricht/Honecker, Zhivkov, et al--was a "restructuring" of the entire socioeconomic system erected by Leninist parties.

As a facade, developed socialism was never very successful and, ultimately, proved to be counter productive. It implied that workers had already achieved, in an intimate partnership with the ruling party, a strong voice; it implied that labor was treated fairly vis-a-vis other segments of society, and that working people had begun to reap the rewards of their sacrifice. At the same time, the notion of such an advanced stage in building communism implied that politically-forced extensive growth could be effected under the aegis of a Leninist party without politicizing the working class upon whose shoulders rested the achievement of such growth. (Nelson, 1982).

It was, however, a transparent fiction. Workers throughout communist Europe, albeit more in some countries than in others, continued to recognize the distinction between ownership and labor, the former now in the Party's hands. One noted Hungarian dissident noted in his book A Worker in a Worker's State that the words "they, them, and theirs" were an omnipresent reminder that others have control, give orders, "employ labor and pay wages"--thus connoting "everything which is above, far away, outside the power of whoever is speaking". (Haraszti, 1977:71). A Polish scholar said much the same when he observed that "...the workers are still hired labor. The socialist revolution does not change the relation of the worker to the machine, nor does it change his position within the technological system of the factory....(Szczpanski, 1970:125). And, perhaps most eloquently, Romanian dissident Felipe Garcia Casals (pseudonym) has argued that although ownership of the means of production has changed hands, those who produce remain alienated from the products of their own labor:

> Even if they are no longer exploited, the producers are still deprived. The proletarian condition is transformed, but does not wither away. All this can be reduced to the observation that it is possible to totally change the form of property, while only obtaining a partial change in the form of distribution. There is no longer private appropriation of the fruits of social labor, but that is not enough to make the producer master of the product of his work. (Casals, 1980:249).

Involvement has, then, remained the premier issue that separates labor from communist party regime. The worker is denied a voice, but is told he has one, and is certainly not the master of what he produces, although the authorities insist that he is. In this Kafkaesque setting, industrial labor understandably cares little about improving productivity for

"them", and exhibits the behavioral manifestations of discontent cited earlier (turnover, for example).

Until the mid-1980s, security was generally not an issue that affected the attitudes and behavior of the East European and Soviet work force. That has now changed. By the late 1980s, a number of transformations have become clear. The absence of unemployment as known in developed market economies has been a sacrosanct principle of ruling communist parties. As a consequence of Mikhail Gorbachev's advocacy of "perestroika", however, the way has been paved for a much more open discussion in Eastern Europe about the presence and, indeed, necessity of some unemployment. If perestroika means anything substantively, it means an introduction of a competitive ethos into the Soviet economy via insisting on the self-financing of enterprises, incentives for productivity, pricing based more on demand, and other measures. The time-honored commitment of the state socialist economies in Eastern Europe and the USSR to guaranteed jobs may, then, evaporate. Workers may divide into haves and have-nots as wage differentials enlarge, and increasing numbers will be (at least temporarily) driven into unemployment as unprofitable enterprises close their doors.

All of these possibilities have been recognized first in Eastern Europe, and particularly in Yugoslavia. The Yugoslavs have acknowledged unemployment for years, and have tried to deal with it through social welfare rather than through structural modifications that would have allowed thousands of firms to go bankrupt. With triple-digit inflation, and a myriad of structural problems inherent to Yugoslavia's economic halfway house, the country will have to continue to deal with very high rates of unemployment in several of the republics or provinces (e.g., Kosovo at 40 percent, but less than 5 percent in Slovenia).

In Hungary, the official admission that unemployment would have to be part of the country's economic future has been slow to arrive. As late as October 1987, the Chairman of the State Wage and Labor Office was saying that the Hungarian economy could not include unemployment. At the end of the year, however, the Deputy Minister of Industry, Gyula Soos, acknowledged that "unemployment was beginning to take shape". (RFE, Situation Report, Hungary, 1988:25). By the beginning of 1988, it had apparently dawned on Hungarian authorities that the 1986 Bankruptcy Law was an inadequate basis for dealing with impending unemployment; although that law does provide for some limited unemployment compensation to those involuntarily denied a job (confined to 12 months' duration per individual, with only the first 6 months at 100 percent of pay), the notion of structural unemployment was not accepted. Now, however, one finds that the National Council of Trade Unions in Hungary has established an "Employment Policy Council" and has opened branches specifically earmarked for people out of work.

Official recognition of unemployment is not only new in communist states; it is also an obvious challenge to the authority of a Leninist regime. Leninists have based their claim to singular authority on their alleged links to working

people, and have argued that they were guarantors of the right to work. "Unemployment", according to a recent Soviet definition, is "a characteristic feature of the capitalist system...In the Soviet Union, thanks to public ownership of the means of production and economic planning, unemployment was done away with once and for all at the end of 1930." (Political Terms: Short Guide, 1982:85-86).

Further, for working people, the socialism practiced by communist parties in Eastern Europe and USSR was thought to promote a reduction in differentiation based on occupational status or income. Frequently, these regimes have emphasized their provision of health care, education, and other elements of public welfare to the entire population as proof of their commitment to socioeconomic human rights. Marx acknowledged that human capacities differ, and Lenin forcefully rejected the egalitarianism of "left communists" saying instead that distribution should be accomplished according to needs. By the late 1980s, however, the reformist policies of some European communist regimes are moving farther away from any redistributive ethos by emphasizing the link between income and productivity.

Taken together, these changes imply a new environment for labor in Eastern Europe and the USSR, in which employment is less certain and remuneration is more competitive. These new conditions might not be threatening to the work force were it not for their enforced solitude--without the benefit of a autonomous collective voice through which to negotiate. As it is now, denied such involvement, workers are largely defenseless against the vicissitudes being introduced by perestroika and related economic transformations.

FUTURE PROSPECTS

Were the USSR and Eastern Europe to jettison ideological and rhetorical commitments to redistributive values and the guarantee of jobs, while simultaneously maintaining their adamant refusal to accept labor as a legitimate participant in public affairs, any rationale for rule by Leninist parties would evaporate. One-party authoritarianism, that provides no security for the stratum it allegedly serves, has no "leg" left to stand on.

Perestroika and related reforms to decentralize East European economies are all undertaken with the knowledge that assiduous efforts must be made to convince, and keep convincing, workers that it is in their interest to accept changes that endanger job security, raise prices, and tie wages to productivity. Obtaining the acquiescence of labor on the issue of security, however, is made impossible as long as the issue of involvement is not opened as well.

Workers' attitudes and behavior in the USSR and Eastern Europe have, then, only one direction in which to move--towards increasing levels of disaffection from the ruling communist parties. Only if a normative dialogue is opened with labor, with the regime's authorities engaging autonomous workers'

organizations in negotiations about the interests of labor, can this future be avoided.

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APPENDIX C

"REFORM AND LABOR ORGANIZATIONS
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Reform has become the primary currency of political discourse in most of the socialist world. Increasing problems with economic growth and productivity have made acceptable structural change allowing for the displacement of command directives by market mechanisms. Furthermore, leaders of the communist states appear well aware that economic reform necessitates changes in the sociopolitical practices of socialism, resulting in the advocacy of "democratization" in the workplace.

The linkage between economic restructuring and labor policy innovations is one of decentralization, providing for enterprise autonomy: independent economic units responsible for their own management and self-financing. To assure the autonomy of enterprises, market relations are introduced as mechanisms regulating economic activities. These changes represent a major challenge to the ideological and organizational norms of socialism. The challenge is felt foremost in regard to the institutional arrangements governing economic activity at both the enterprise and national levels, and in conjunction with the social policies pursued by the communist governments in the areas of employment, wage remuneration, and work conditions.

RESTRUCTURING AND SOCIAL POLICIES

A primary tenet of communist doctrine has been a fundamental commitment to basic social and economic rights, including security of employment, a fair distribution of income, and a minimum living standard. A widely held view of communist systems recognizes the existence of an implicit social contract between the regime and the population that seeks to obtain political legitimacy in exchange for these social guarantees. In this sense, social provisions are not only specific material benefits to the working class but constitute socialist norms that define the communist systems.

The rationale for reform, however, argues that the existing economic structure entails significant costs to growth and efficiency that can be eliminated only through decentralization and market regulation, which in turn necessitate an end to the type of social supports associated with the command economy.

For example, given current inefficiencies, the commitment to full employment is being retrenched. One way this is to be accomplished is through the liquidation of unprofitable enterprises. Most of the reform blueprints contain provisions for enterprise self-financing that are meant to terminate governmental subsidies and make each factory self-supporting. However, bankruptcy appears to be perceived as an extreme action, and officials have been most reticent in invoking this penalty. Instead, there has emerged a policy to economize on labor-use by releasing unproductive workers from functioning enterprises. The Hungarian reform has gone furthest in this regard, resulting in the dismissal of thousands of workers due to industrial reorganization. Similar steps have been taken in the USSR on an experimental basis, culminating in layoffs of about 10 percent in several enterprises.

Further evidence that unemployment is a serious possibility comes also from proposals of "safety net" programs to take care of the jobless, including material supports and retraining programs. Reallocation support, a euphemism for unemployment compensation, is already included in Hungary's national budget. Additional measures encompass retraining centers, placement offices for the unemployed, and even public works as temporary means to ease the problem of joblessness.

Alongside the preparations for potential unemployment, another challenge to the traditional position of labor concerns the announced reforms in income distribution. In the past, the socialist ethos has strongly favored a reduction in material inequality. In practice this has translated into a tendency to pay labor fairly equal wages regardless of individual merit or effort. This shrinking of income differentials has now fallen prey to the reform impulse. Developments throughout the region foretell a time when earnings from work are to be closely linked to performance on the job, with significant pay differentials as material incentives for more efficient work. The new wage policy will pay most to those who work the best or have the desired qualifications, while that segment of the labor class whose work is deficient or less valued are to be compensated with less money, or even released from their jobs. The proclaimed salary differentials, suppression of the minimum wage, and relaxation of maximum earning ceiling, all augur badly for the socialist ethos of equality of the working masses.

To alleviate the ideological problem encumbered by the potential for increased stratification, there has been an attempt to restate the case for equality under socialism. Expert analyses and official pronouncements stress that the commitment to "equality of outcome" has been largely responsible for the inefficiencies of the system, so that to improve economic performance it is essential to move to the principle of "equality of opportunity." The argument is predicated on the view that opportunities for remuneration and mobility are equalized under the new system. However, the experiences of Yugoslavia and Hungary demonstrate that there is a post-reform decline in both equality of result and equality of opportunity. The result of the current reform proposals is likely to be similar, characterized not by a change in the equality

norm but by an overall increase of inequalities in the social structure, however measured.

In addition to job security and wage differentiation, the reform agenda contains a third set of social policies strongly affecting the working conditions of labor. As articulated by General Secretary Gorbachev, these policies seek to enhance the "human factor" in economic activity. The idea is to facilitate a "psychological restructuring" that will alter the attitudes of employees toward work, leading to a realization that individual effort and responsibility affect the productivity of enterprises. With unemployment lurking in the shadows, workers are being asked to work harder and bear a substantial brunt of the reform costs. While parts of these programs, such as labor discipline and curtailment of alcohol consumption, are progressive measures fostering productivity, other policies, such as restrictions on job mobility or on arbitration procedures, entail significant costs to the labor class.

Clearly, restructuring involves substantive changes in social policies that have defined the communist world for decades. Indeed, by invoking the prospects of unemployment, substantial wage differential, and restrictive work conditions, official pronouncements seek to redefine the "social contract" between labor and the state. No doubt, a restated contract will produce severe dislocations for the workers and, in the short-term at least, adversely affect the welfare of important working class strata.

At the same time, economic restructuring calls into question the basic institutional arrangements of the communist system. The new social contract, after all, is necessary to render social policies compatible with the decentralized and less regulated economy. The policy innovations are bound to generate discontent and conflicts which must be resolved within the confines of the organizational reform. The essential issue here is whether the new institutional arrangements will be sufficient to diffuse and channel labor interests within the system, or produce demands outside the accepted systemic norms.

RESTRUCTURING AND ENTERPRISE DEMOCRATIZATION

New institutional arrangements cut deeply into the ideological norms of the communist system. Advocacy of a political reform to complement the decentralized economy has centered around "democratization," particularly of the workplace. The initial step in this process required a reexamination of the traditional ideological emphasis on a basic harmony of interests that required institutions to resolve adversarial relationships. Differences of opinion existed, but fell within the range of a cooperative pursuit of the national good. The task of blending these difference fell to the communist party, which brought together disagreements over priorities into a harmony of interests and policies. The current reformist alternative takes issue with this ideological view. Numerous expert writings and official statements take the position that economic advance necessitates initiative and risk, which can occur only if freer means of expression are available to

different interests in competition with each otner.

The central question concerns the respective roles of party, management, and labor in this new system. Clearly, the autonomy provided to enterprise management and the democratization of labor organizations detract from the intervention of the party in enterprise affairs. The apparent resolution is to shift the tasks and style of work of party, management, and labor. The communist organization is to undertake a more supervisory role, concentrating on fundamental policy issues, and engaging in political work to integrate the new diversity of interests. Management is to acquire greater command authority, in particular responsibility for the effective operation of the enterprise. Labor is to share authority over economic issues in the enterprise through self-management. In addition, the particular interests of workers are to be protected by trade unions with operational autonomy in the reformed system.

Self-Management Institutions

Democratization of the workplace is an integral part of economic restructuring. There are several important reasons for this development, which has been embraced, in various manners and to different degrees, by all the countries of the region.

Most important is the role of self-management as a device in support of the reform scheme. Already in the 1981 Polish blueprint, self-management was perceived as a political counterweight to interests seeking to maintain the command system. In this sense, self-management is viewed as an institution committed to full reform implementation. Self-management naturally focuses on the welfare of the enterprise against centripetal tendencies, enhancing plant autonomy against administrative intervention.

Workplace democratization also serves a legitimizing function, reinforcing the claim that the working class plays an important role in the formulation of economic policy. This is especially important at a time of systemic stress, where changes in the economic order and the social contract result in popular discontent. Opening up channels of participation is meant to provide a "voice" to labor interests in exchange for the acceptance of policies detrimental to workers' job security or wage compensation.

Another rationale for the development of self-management is the traditional notion of participation as mobilization for greater effort and productivity. There is a twist, however, to the mobilization tactic under current conditions: democratization is to enhance "human factors" by improving worker morale, loyalty to the enterprise, and interest in profitability. In the same vein, self-management is to act as a "social control" mechanism over excessive bureaucratization and for peer-monitoring of workers--all for improved enterprise performance.

The push for self-management has been visible throughout the

region, either through the revitalization of existing institutions or the formation of new organizations. One attempt has been to equate the labor collective or workers' brigade with the principle of self-management. Gorbachev views the operation of these traditional work groups as a source of greater labor involvement in enterprise decisions, particularly with the extension of brigades to whole shops and the application of contract and accountability to the work teams. Similar views prevail in Bulgaria, where labor collectives are to manage socialist property through self-management, and in Czechoslovakia, where the draft law on enterprises provides the labor collective with management prerogatives. In Romania, self-management practices are associated with contractual obligations of the collectives. The intent of these practices is not so much the institutionalization of decision-making mechanisms for labor, as it is the formation of more independent work groups with greater accountability for performance.

It is difficult to view such developments as genuine self-management, since it places considerable responsibility on the collectives without the provision of sufficient resources to engage in enterprise decision-making. To improve the appeal of democratization for the workers, new practices have had to be developed to provide for more effective influence of labor. One such effort, the Polish Law on Workers' Self-Management (September 1981) antedates the era of perestroika. While some of its provisions were suspended by martial law, self-management remained operative throughout the 1980s. The legislation provided for employee councils, to be elected by the entire work force, which had rights over major decisions. The enterprise director was accountable to the council, which could overrule the manager, though the director also had a veto over certain council decisions. The labor force had the right to elect the director in most plants, except for a list of enterprises of "national importance" where the ministries retained the power of appointment. In postmartial law Poland, the exclusion list was expanded considerably, from 200 to 1,400 enterprises. Other measures also limited the self-management powers, including restrictions on selection and dismissal of administrative personnel, and on areas of the council's jurisdiction. The result has been a shift in the intended decision-making role of the councils in favor of a more consultative role to management.

Many features of the Polish self-management have been advocated by the other communist states. At the 27th CPSU Congress in February 1986, Gorbachev endorsed the idea of enterprise councils and personnel elections, ideas encoded in The Law on State Enterprises (June 1987). New collective councils are to be elected by all employees in secret or open ballot, to exercise authority in between the general meetings of the collective. A significant provision of the law is the election of all administrators, from brigade leaders to enterprise directors, although considerable limitations exist in the new practices. Thus, the "superior organ" must approve the election of the director, who in turn must confirm all other elected personnel. In addition, the council's areas of

competence revolve essentially around performance issues. Basically, the Soviet initiative seeks to expand workplace democratization without overtly challenging the authority of management, but rather by facilitating the "common cause" of worker and manager in improving efficiency and productivity.

Major steps in the direction of self-management have been taken recently in Hungary. Since 1986, new forms of worker participation have been implemented, consisting of either direct collective management through workers' assemblies, or representative management through elected councils. At least 50 percent of the council membership must be elected directly by the workers, the rest can consist of representatives of management (exclusive of the director) and delegates of the major plant departments. The assemblies and councils are employers of the enterprise administration, with the right to elect and dismiss factory directors--although the "founding organ" retains the right of veto over the process. The selection is a competition among several candidates, and the term of office is limited to 5 years, although reelection is possible and in fact seems to favor internal, incumbent candidates. The policy competencies of the councils are to be over "strategic" issues, although a consultative role is also provided on more routine matters.

The expansion of labor participation is thus limited by controls over self-management. The restrictions are even more severe in the other bloc countries. In Czechoslovakia, the 1987 draft law on enterprises provides for a system of participation for labor, either through the assembly of workers or the enterprise council, but election of the director is possible only from an approved government list. In Bulgaria, self-management organs are depicted as managers of socialist property, although their legal rights and obligations are far from clear. In Poland too, recent practice has shown violations of self-management rights in enterprises, with management appointed by the ministries in ignorance of the requirements for competitive selection of factory directors.

Self-management, therefore, operates under severe "internal" restraints built into the design of industrial democracy emerging in Eastern Europe. Among these are membership practices, such as the presence of management representatives and technical and administrative staff on the councils. The infrequency of council meetings also signifies a lack of opportunity for the workers to take part in meaningful policy decisions. Beyond these internal constraints, self-management is severely limited by "external" factors, for example the continuing dependence of the plant on superior administrative organs. The lack of genuine autonomy means that the economic choices of the enterprise, and its self-management institution, are to a large extent still directed from above by the plan. A similar constraint on self-management operates "from below" on the part of political and social organizations that view the formation of worker self-governance as a threat to their own influence in the enterprise, e.g., the primary party organizations and the trade unions.

All these limits do not mean a lack of progress in the formation of self-management. In Hungary, Poland, and the Soviet Union, new channels for worker participation have emerged in the last few years, and other states have adopted similar proposals. Self-management may yet provide important avenues for the influence of labor in economic decision-making at the enterprise level. Self-management, however, is not intended to create a forum for industrial democracy in the communist world. Rather, worker assemblies and enterprise councils are to fulfill the mobilizing, legitimizing, and reformist roles assigned to them by the political leaderships. Whether such limited functions of self-management will suffice to establish labor's identification with the restructuring agenda remains doubtful. This failure still leaves open the question of who will represent the workers' interests in the face of the changing conditions.

The Role of Trade Unions

While trade unions are viewed as the representatives of workers' interests, in communist systems the traditional functions of the trade union are of a "dual" nature: (1) as transmission belts for government policies and (2) as institutions protecting labor against mistreatment by management. Under the "collectivist" view of society, however, trade unions were not acting on behalf of class or group interests as much as representatives of individual rights. This perspective is currently under revision as a result of the ideological and organizational changes accompanying restructuring.

On the ideological front the view that socialist society is an integral unit free of major differences has given way to the recognition of numerous, even conflictual relations. In these conditions, labor must be assured of a voice in policy deliberations concerning economic and social issues. Thus, the role of trade unions is increasingly being redefined to encompass the defense and representation of interests and rights of workers as a collective.

True, there are important restrictions placed on the new role of the unions, the most important of which concerns the scope of trade union activity. The unions are to be restricted to the labor concerns of workers, e.g., wages and working conditions. There is no room under the current system of representation for the advocacy of the political rights of the workers. The statutes of the official Polish trade unions exemplify best this tendency. The law recognizes the formation of one union in each factory, representing all workers on labor matters; thus trade union pluralism is unnecessary for it will bring forth political issues into the enterprise and generate unnecessary conflict.

The representational tasks of the trade unions are also affected by the organizational restructuring of the economy. The trade unions must adjust to decentralizational and autonomy by establishing different relations with enterprise management and the new institutions of worker self-management. The

evidence from Eastern Europe is that the adjustment is a difficult one, and that the functions and norms governing trade unions are far from settled.

The fundamental issue is how a trade union structure implanted within a command economy can operate in the decentralized, competitive world of the restructured economy. Self-financing, for example, means that distribution issues, including wages, must become a more vital part of negotiations with management of individual enterprises. The same is true of work norms, since productivity is emerging as a critical measure of a firm's success. Increased demands on work performance are likely to result in conflicts between labor and managers, in view of the constraints of the reform on workers' "exit" options. Altogether, then, the reform significantly expands the issues that trade unions must address in a decentralized structure which places much of the burden on particularized relationships with individual enterprises rather than on national policy. This does not mean that the national dimension is irrelevant. The central government still retains considerable prerogatives for guiding the economy. The trade unions, even while shifting resources to match the growing power of enterprise management, cannot neglect their role as spokesmen for labor interests vis-a-vis the center.

The adjustments faced by the trade unions in the age of perestroika are indeed formidable; no wonder that the needed organizational flexibility has fallen short of the requirements. The most far-reaching adjustments have occurred in Hungary, where the National Council of Trade-Unions favors a two-tiered system of negotiations. One at the central level provides "interest coordination" for entire branches of the economy and safeguards the common interests of workers. The other is collective bargaining between enterprises and trade unions to regulate issues specific to individual factories. The Council has also taken a more aggressive stance on major policy issues, such as price increases and wage increments, to establish its own position as a "partner" in economic and social decision-making. This move is intended to signal to the workers the union's concerns with the representation of labor's interests, in the hope of furthering its legitimacy.

A similar strategy has been evident in Poland on the part of the trade unions created after the delegalization of Solidarnosc in October 1982. The new unions were built from the bottom up, at first restricted to particular enterprises, then moving on to federated organizations based on narrow branch lines, and culminating in the All-Polish Confederation of Trade-Unions. The organization remains fragmented, with each factory union operating with its own statute and a strong sense of autonomy. Theoretically, such a trade union structure is well suited to the environment of the reform economy. Unfortunately, the reform has been implemented primarily in a national austerity program based on price increases. As a result the officials unions, despite heavy dependence on the government, have embraced a more critical attitude towards the regime. Their protests concerning price increases, or labor code amendments, however, have led to few government

concessions.

Elsewhere in Eastern Europe, trade union developments have been more limited. In Bulgaria, new statues were introduced in April 1987 to counter the bureaucratization of elected union bodies. The new system is to rest on a delegates' structure, working its way from basic organizations to voluntary federations based on industrial branches, to a Central Council composed of delegates from the federations and territorial unions, reflecting the "decentralization" trend in Poland and Hungary. No such reorganization appears in Czechoslavakia, although the Central Council of Trade-Unions has advocated the increased participation of workers in economic management and a collective contract between enterprise directors and trade unions in its commentary on the draft law on industrial enterprises. Most enigmatic is the situation in the Soviet trade union movement, which has not played a significant role in Gorbachev's perestroika. The All-Union Central Council of Trade-Unions has clearly adopted a cautious, even conservative, attitude towards the restructuring program, voicing its concerns over the social policies and organizational changes associated with the current reform.

A predominant concern in the Soviet Union is the relationship between the trade unions and the new institutions of self-management, an issue present prominently elsewhere in the region as well. Attempts to clarify the responsibilities of the two organizations and solve the tensions between the union and self-management bodies are evident. The primary solution is to separate and redistribute the traditional "dual" functions of the unions. Self-management councils are to be concerned with production issues and overall economic policies. The trade unions are to concentrate on social issues, and the representation of workers' interest vis-a-vis management. The problem is that despite all protestations to the contrary, there is an overlap between these functions of union and self-management organs that is bound to create conflicts between them.

The trade unions face still another challenge, that of grass roots actions protesting the failure of the official organizations to protect workers' interests. Of course this is most evident in Poland, where Solidarity has maintained a significant illegal presence in industrial enterprises, and has continued to speak out on behalf of labor interests. It has steadfastly demanded that the reform move beyond price manipulations detrimental to the population's living standard. Worker protests and strikes have erupted over this issue intermittently, most recently in May 1988. The issue here concerns not only wage increases to offset price rises, but also the question of trade union pluralism. The government's refusal to negotiate over that issue was clearly evident throughout the May 1988 strikes.

In the rest of Eastern Europe, labor unrest has been far less extensive, although worker protests are evident throughout the region. In Romania, for example, several protests and strikes have taken place since 1983. In Bulgaria last year, strikes

occurred over changes in the rate for piecework. Similar protests have been reported in the Soviet Union over changes in the performance-based pay system and quality controls. Even in Hungary, dissatisfaction with official union representation has led to an initiative to establish an independent union among workers in research institutes. While embryonic in nature, these actions are an indication that the official labor organizations are unable to protect the interests of the working class. This is particularly troublesome as the socialist economies move further down the road to reform, causing more extensive dislocation in the economic and social environment of labor. Without organizations which the workers perceive as their genuine representatives, it may indeed become difficult to persuade the working people that reform is in their interest.

CONCLUSION

A paramount dilemma on the reform agenda is how to provide worker organizations with a more autonomous voice in economic affairs without eliciting opposition to the effects of restructuring. Many social policies of the reform are at least initially inimical to the welfare of the laboring class, and result in fears concerning job loss, inequality, or demands for more work without adequate compensation.

The vulnerability of the working class is certainly enhanced by the one-sided nature of the reform. Many of the programs introduced so far are less concerned with enterprise autonomy than with price increases. While such a pattern may be the natural course of reform, the effects are not visible improvements but rather deteriorations in living and working conditions. Price rises and austerity measures affect the working class disproportionately, as do demands for more productivity through greater work efforts.

Furthermore, without the full implementation of the structural aspects of the reform, the operational conditions for improved enterprise performance are absent. In these conditions, the workers are asked to undertake sacrifices without sufficient compensation as producers and consumers. To ensure reform, a forceful agenda of economic restructuring and workplace democratization is required to provide workers with material improvements and with institutions guaranteeing adequate labor representation.

APPENDIX D

"SOME OBSERVATIONS ON THE LABOR SCENE IN EASTERN EUROPE"
Written by Gerald P. Holmes
Bureau of International Labor Affairs
U.S. Department of Labor

The comments below are based largely on observations and information gained during a trip through Europe in April 1988. They are by their very nature largely fragmentary and anecdotal. They reflect conversations with a variety of observers of east European labor developments in the United Kingdom, France, Belgium and the Federal Republic of Germany, as well as visits to Berlin, Bucharest, Budapest, and Warsaw. While the author knows something about labor organizations and labor markets, he lays no claim to expertise on matters east European; his travels to that part of the world in the last 25 years have been too intermittent.

If what follows appears to be somewhat confusing, it is not necessarily entirely inaccurate. Change is not always a neat process, and something is clearly changing in eastern Europe. While we do not dwell on it when we read to our children, there are some messy aspects to Humpty Dumpty's fall.

In trying to assess the pace of change, one of the real challenges is to distinguish rhetoric from reality. Assertions and claims about changes made or planned is one thing; trying to gauge to what extent actual change, if any, has been realized is much more difficult. You hear talk about the desire of the labor organizations to distance themselves from the party. Ever since Lenin's New Economic Policy they have been saddled with the contradictory tasks of representing the interests of the workers and serving as a transmission belt for the party. Up to now the dilemma was pretty much solved by performing the latter function at the expense of the former. Rhetoric now stresses more representation of the workers. However, how convincing is the perception of the new official trade unions in Poland (OPZZ) as bona fide representatives of the workers, when its leader, Alfred Miodowicz, is placed in the politburo? And yet, as these words are being written in early May 1988 during the Polish labor unrest, Miodowicz is staking out a separate position, suggesting a split all the way up through the party hierarchy.

Government officials in Poland can be and are critical of OPZZ. It has been stated that if the OPZZ were to follow the role of its predecessor, it would become just as useless and discredited. One of OPZZ's problems is that its cadre is full of people without any trade union experience. It has also been asserted that there was low youth participation and that youth thus is underrepresented in the OPZZ.

In Hungary several sources agreed that the labor organization, SZOT, was losing members. The most prevalent estimate as of mid-April was that it had lost 10 percent of its membership

since the beginning of the year. Perhaps this has something to do with the fact that economic plans for 1988 call for a 10 percent reduction in real wages? Another possible reflection of dissatisfaction with SZOT performance was reports that a number of intellectuals, i.e. scientists, journalists, and teachers, wanted to break out of SZOT and create their own organizations. At the same time, party leader Janos Kadar has reiterated that there is to be only one trade union organization. Clearly there are limits to trade union pluralism. A former Czech academician now residing in western Europe who attended a meeting in Hungary earlier this year of mostly intellectuals reported that the SZOT representative gave a most "reactionary" presentation and departed without taking part in the proceedings. Clearly not all SZOT officials are in the vanguard of reform. There is a party congress scheduled for May 20, 1988, and there is, of course, a fair amount of speculation whether this would feature any changes in the party and/or labor organization leadership.

One area of potential friction between reformers and the labor organizations is the setting of wages. Reformers are pushing for a linkage between productivity and wages, whereas labor organization officials prefer central wage setting through the ministries. Not only is it less work, but it tends to preserve the principle of egalitarianism by reducing the potential for wage spread; not that there is no wage differentiation. In Poland wages are differentiated in favor of heavy industry. Silesia appears awash in money. Some of the highest pay in Poland is in some of the most unprofitable enterprises (Nova Huta). It was alleged that miners' wages are 100 percent above those of the rest of the work force. Uneven wage scales can show up even in a single enterprise if part of it is involved in a joint venture. The story has been told of a furniture enterprise where the wages, in the portion which was part of a joint venture, were three times the wage level of that in the rest of the organization.

Wage reform in Poland is complicated by the system of payment in kind. For instance, miners get a specified amount of coal per year. When the price of coal climbs from five thousand to fifteen thousand zlotys a ton, is this a wage increase? At the very least, it means part of the wages are sheltered against inflation. Dairy workers get specified amounts of butter, cheese, and milk per year; other workers get specified amounts of meat. In a country with severe shortages, these are real benefits. The OPZZ opposes any reforms that would lead to their loss. We all know how difficult it would be to withdraw such privileges once people take them for granted. For example, Polish railroad workers still get a coal allotment even though electric and diesel trains have been introduced.

In Hungary the subject of centralized versus local wage determination was "under discussion". Repeated questions failed to reveal where SZOT stands on this matter. SZOT is in the process of developing its own wage reform ideas. SZOT officials indicated they did agree, in principle, to the proposition that there should be a link between productivity and wages. Above that, however, SZOT wants to see higher

wages, citing low labor costs as a percentage of total production costs. There were also some comments expressing whether employers were acting like capitalists, trying to maximize output and minimize costs!

In the field of training and structural adjustment, Hungary is at least attempting to address the issue. There are the problems of a general housing shortage inhibiting labor mobility in all East European countries and the geographical isolation of some of the declining industries (particularly steel). But as of the beginning of the 1988, Hungary had an Employment Fund. It provides that a worker be given a 6-month notice of job loss, receive 5 months wages after that, plus another 6 months "employment aid" which consists of receipt of 75 percent of the employees last wage for the first 3 months and 60 percent for the last 3 months. The legislation reportedly provides for retraining and also for entering youths who need retraining. Hungary wants to organize a national network to provide a "job training needs" inventory. It views retraining as insurance against mass unemployment. Currently 50,000 workers a year are being retrained under this program. SZOT, which has its own retraining program reflecting its needs, has offered its training facilities for the government's retraining program. Another measure contemplated to combat unemployment is interest free loans for workers (up to 200,000 forints, or approximately $4,250 at the official rate of exchange) to start up their own enterprises. To be eligible, a worker must have lost his job as a result of restructuring, and he must possess a skill.

Questions concerning female participation in the work force elicited an outpouring about the generous maternity leave and child care benefits. In Poland--where female participation rates peaked in the late seventies--paternity leave can extend up to 3 years, and leave can be part of the service record up to 6 years. Ministry officials estimated that 800,000 women were on maternity leave, or 20 percent of employed women. However, Poland appears to have a severe shortage of child care facilities. Reportedly, there are 2 million children 2 years of age or younger, and only 105,000 nursery places for them (this is only about 5 percent of what is needed). According to ministry officials, this compares to percentages of 40 - 50 percent in other communist countries and as high as 60 percent in the German Democratic Republic. Hungary also features liberal paternity benefits, up to 3 years after delivery, 5 months at full pay and the rest of the period at 75 percent of full pay. However, the equal pay for equal work principle has not penetrated. The husband is viewed as the primary wage earner. There were several comments about the conflict between the need for women to work and the needs of the family, some of them with a definite male chauvinist flavor. Apparently this reflects concern with a declining birthrate. There were also comments in Hungary about the general need to work so hard and suggestions that the pace was beginning to be reflected in the mortality tables.

As mentioned previously, labor mobility is severely restricted by acute housing shortages. Poland has a deficit of approxi-

mately 2 million apartments. Many workers live in "worker hotels" where alcoholism appears endemic. While labor markets are thus suffering from rigidity of domestic movement, they are, however, affected by (e)migration. Too little is known at this time about the nature and extent of the migration from Romania to Hungary. As far as Poland is concerned, we may be witnessing the second largest emigration in history. Government officials estimate that 100,000 Poles are working abroad under bilateral agreements and claim that altogether there are 600,000 Poles. This figure may be too low. There are estimates in the Federal Republic of Germany of Poles working there that go as high as 600,000 workers, mostly in construction and agriculture, and most are illegal. There are approximately 60,000 Poles working in the German Democratic Republic. Many others are working in France, the United States, and other western countries.

Some of these workers are seasonal repeaters. A German trade unionist reported meeting the same Polish professor more years than one during the annual grape picking seasons. Others go abroad and work long enough to acquire savings of maybe $10,000 or its hard currency equivalent. This sum may not mean much in New York, but it will get you an apartment, a car, and perhaps seed money for a small enterprise and a permanently improved life-style upon return to Poland.

How many Poles work abroad and eventually return is anyone's guess. Polish ministry officials estimated 75 percent, but this may reflect more hope than hard facts. One can only speculate how much more severe Polish labor market problems could be without the (e)migration safety valve and the effect the exposure of significant numbers of returning workers to western society has on the aspirations and attitudes of the labor force.

While there can be little doubt that Eastern Europe is on the move, it is the nature and degree of change that is a subject ripe for speculation. The spectrum of views range from those convinced we are witnessing an ocean of change to others who are seeing a lot of sound and fury which signifies nothing--or very little. While existing patterns show signs of breaking up, none of my respondents volunteered ideas on just what the possible new frameworks in these countries might look like. Economic imperatives are forcing change. How to reconcile some of the needed change with communist dogma and the concept of a single party with a monopoly of power is the question.

APPENDIX E

Commonly Used Abbreviations

CC	Central Committee
CIA	Central Intelligence Agency
CMEA	Council for Mutual Economic Assistance = COMECON
COMECON	Council for Mutual Economic Assistance = CMEA
CPSU	Communist Party of the Soviet Union
CWA	Contract Work Associations
EC	European Communities
EE	Eastern Europe
EFTA	European Free Trade Association
GDR	German Democratic Republic = DDR
HSWP	Hungarian Socialist Workers' Party
ICFTU	International Confederation of Free Trade Unions
INF	Intermediate Range Nuclear Forces
OPZZ	Ogolnopolskie Porozumienie Zwiazkow Zawodowyck (new government trade unions) or All-Poland Trade Union Agreement
PUWP	Polish United (Communist) Workers' Party
RFE	Radio Free Europe
SMOT	Free Interprofessional Association of Workers in the USSR
SZOT	The official communist labor organization in Hungary
TCPE	Traditional Centrally-Planned Economies
USA	United States of America
USSR	Union of Soviet Socialist Republics
WFTU	World Federation of Trade Unions

APPENDIX F

BIOGRAPHICAL DICTIONARY (as of May 1988)

BREZHNEV, Leonid: President of the USSR (1960-64; 1977-82), and First Secretary of the Communist party (1964-82)
CEAUSESCU, Nicolae: President of the Socialist Republic of Romania (head of state since 1967)
DOLGIKH, Vladimir: Central Committee Secretary, CPSU, USSR
GORBACHEV, Mikhail: General Secretary of the Central Committee of the Communist Party, USSR
GROSZ, Karoly: Hungarian Premier, Council of Ministers (since June 1987)
HONECKER, Erich: Chairman, Council of State (Head of State since October 1976), German Democratic Republic (East Germany)
HUSAK, Gustav: President of the Czechoslovak Socialist Republic (since 1975)
JAKES, Milos: General Secretary (since December 1987), Communist Party of Czechoslovakia (KSC)
JARUZELSKI, Army General Wojciech: Chairman of Council of State, Polish People's Republic
KADAR, Janos: General Secretary, Hungarian Socialist (Communist) Workers' Party (since 1956; his title was changed from First Secretary to General Secretary in March 1985)
KOSYGIN, Aleksey N.: Premier of the USSR (1964-80)
LIGACHEV, Yegor: Second Secretary, CPSU, USSR
MASLYUKOV, Yuri: Gosplan Chairman, USSR
NIKONOV, Viktor: Central Committee Secretary for Agriculture, CPSU, USSR
RYZHKOV, Prime Minister Nikolai: Chairman of the USSR Council of Ministers (since September 1985)
SHCHERBITSKIY, Vladimir: Ukrainian Party Secretary, CPSU, USSR
SHEVARDNADZE, Eduard: Central Committee Secretary, CPSU, USSR
SLYUNKOV, Nikolai: Central Committee Secretary, CPSU, USSR
SOLOVYEV, Yuri: Leningrad Party Secretary, CPSU, USSR
WALESA, Lech: President, Solidarity, Poland
YAKOVLEV, Alexander: Central Committee Secretary, CPSU, USSR
ZAIKOV, Lev: Central Committee Secretary, CPSU, USSR
ZHIVKOV, Todor: General Secretary, Bulgarian Communist Party

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